CATALYZING SUBNATIONAL DEVELOPMENT IN MYANMAR

Balancing Local Preferences with National and Sector Policy

Kyosuke Inada

AUGUST 2014

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Disclaimer

The views expressed in this paper are those of the author and do not necessarily reflect the views of the author's organization.

Preface

Since assuming power in April 2011, the Thein Sein government has begun to implement a wide range of reform initiatives. Central to these are decentralization and local governance, issues of critical importance to the country's long-term development. As Myanmar has opened up to international development assistance and the 14 new state and region governments have begun to assert themselves at the subnational level, there have been increasing opportunities for greater 'bottom-up' participation in a country that has historically been highly centralized and hierarchical. As the country continues its transition, however, there remains the need for Nay Pyi Taw to provide policy direction and support for a range of government institutions and functions as well as the economy to ensure that scarce resources can be maximized for the country's growth and development. At times this can lead to tensions between decentralization expectations and the central government's need to ensure coordinated action and to manage national priorities.

In light of this situation, The Asia Foundation is pleased to present this research authored by Mr. Kyosuke Inada which examines the dynamics and challenges of how national sector planning can be better interfaced with assorted decentralization processes. In addition to reviews of academic literature about decentralization and a situational assessment of Myanmar's unfolding transition, this paper draws upon lessons learned through both past and on-going subnational development interventions in Myanmar by the Japan International Cooperation Agency (JICA). Overall, Mr. Inada finds that decentralization processes and structures need to be carefully designed to strike the right balance between local preferences and national/sector policy for regional development. Towards this, three tasks are key to finding the appropriate formula for balanced development between the centre and subnational levels: 1) developing a mechanism for integrating 'top-down' and 'bottom-up' priorities, 2) deepening the process of centralizing information in order to continuously adjust strategic plans to match the needs evolving on the ground, and 3) making the best use of existing institutions at all levels of the government.

We hope that this paper will contribute to the ongoing public discourse in Myanmar over development policies and the role of decentralization. The views expressed in this paper are those of the author and do not necessarily reflect the views of the author's organization or those of The Asia Foundation.

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Abstract

This paper aims to extract lessons from development partners' engagement in Myanmar to offer suggestions for improved subnational governance and balanced regional development. The analysis in this paper is based on literature that describes and evaluates past and on-going regional development interventions in Myanmar by the Japan International Cooperation Agency (JICA). These interventions were all in fields of critical importance to Myanmar's sustainable growth—agriculture and rural development, health, and infrastructure. The lessons summarized in this paper imply that decentralization needs to be carefully designed to strike the right balance between local preferences and national/sector policy for regional development. These lessons suggest three tasks that could be the key to finding the appropriate formula for balanced regional development: 1) developing a mechanism for integrating 'top-down' and 'bottom-up' priorities, 2) deepening the process of centralizing information in order to continuously adjust strategic plans to match the needs evolving on the ground, and 3) making the best use of existing institutions at all levels of the government.

ONE: Introduction

1.1 Background and Objective

Since President U Thein Sein took office in 2011, Myanmar has embarked on a comprehensive set of reforms—political, socio-economic, administrative, and private sector. To accelerate growth and reduce poverty on the road to long-term, sustainable development, the government has introduced numerous initiatives. For the short- and long term, the future looks positive. However, as the International Monetary Fund (IMF) has pointed out (2013), in order to realize high, sustained, and inclusive growth as rapidly as possible, and meet basic human needs, Myanmar needs to build functioning institutions, implement policies to manage the economy, and increase public expenditure in areas such as infrastructure and health.

As this diverse, rural and unevenly populated country develops, one of Myanmar's major challenges is that of creating and maintaining regional parity. First, unlike other countries in the region, the population is not clustered in large cities such as Yangon and Mandalay. Of the 14 regions/states, only seven have populations over 5 million, and none have more than 9 million. Only about one-third of the country's population lives in urban areas, and the remaining, mostly agrarian people, are spread out across rural areas. Second, achieving unity among the country's many ethnic groups, including minorities living in border areas, is a clear national priority. Third, although achieving regional equity in the country is certainly not a panacea, it is an integral part of Myanmar's path towards sustainable political, social, and economic development.

Against this background, in September 2013, the Myanmar Development Resource Institute's Centre for Economic and Social Development (MDRI-CESD) and The Asia Foundation published a comprehensive situation analysis entitled State and Region Governments in Myanmar (Nixon et al. 2013). Based on this initial research, the partners decided to produce a series of thematic discussion papers that focus on topics related to subnational governance that are critical to Myanmar's reform process, and extract lessons from development partner's engagement in the country. The analysis in this paper is based on literature that describes and evaluates the Japan International Cooperation Agency's past and on-going regional development interventions in Myanmar. These interventions were all in fields of critical importance to Myanmar's sustainable growth—agriculture and rural development, health, and infrastructure. Based on the literature reviewed, the lessons summarized in this paper imply that decentralization needs to be carefully designed to strike the right balance between local preferences and national/sector policy for regional development.

1.2 Decentralization: Theory, Practice, and Implications for Regional Development

Higashikata (n.d.) defines decentralization as the transfer of authority over political decision making from the central government to local government. The classic theory for supporting decentralization is that: 1) if residents' preferences vary by region, local government is more capable of providing efficient public services than the central government; and 2) if residents can relocate from one region to another to get better public services, then local governments will compete against each other. In addition to efficiency in allocation as well as matching residents' preferences, Channa and Faguet (2012) identify technical efficiency as a criterion for evaluating the success of decentralization—"meaning the production of more or better public goods by a decentralized government for a given set of inputs (p.3)". Boex (2013) points out that in the first generation of a theoretical framework for fiscal decentralization, proponents see increased efficiency as the motivation

for decentralization. In the second generation theoretical framework, Boex believes that increasing accountability is the key motivation, and that politics is a key driver of decentralization reforms.

In reality, there are a number of conditions that enable local governments to improve efficiency and increase accountability in public service provision, including the capacity and incentives for: 1) local government to reflect the choices of the majority of residents, and to make decisions about policy, as well as implement policy; and 2) residents to monitor and evaluate policy measures. Rondinelli, Nellis and Cheema (1983), in a widely cited study on decentralization, found that "in nearly all countries where governments have attempted to decentralize, they have faced serious problems of implementation (p.2)." Charbit (2011) states that country-specific relationships among public actors at different administrative levels are critical for decentralization. The author claims that intergovernmental relationships, or multi-level governance, "is always required for managing public policies in a decentralized manner (p.13)," but "the sharing of competencies and its implementation remain strongly country specific (p.13)."

Despite strong enthusiasm for decentralization in Myanmar, which Nixon et al. (2013 pg 76) describe as having achieved "a broad consensus among the civilian central government and the parliament, state/region governments, political parties, and civil society that further development of decentralization reforms to states and regions is needed," empirical evidence from other developing countries shows that the effectiveness of decentralization has been mixed and inconclusive at best. Channa and Faguet (2012) conducted a thorough review of literature published over the last 25 years, plus their own analysis of the health and education sectors in developing countries, and they found little empirical evidence that decentralization does a better job of matching people's preferences or of achieving technical efficiency. The authors concluded from this that "[m]any influential surveys have found that the empirical evidence of decentralization's effects on service delivery is weak, incomplete and often contradictory. Our own unweighted reading of the literature concurs (pg 1)." However, several reports focusing on community-level projects in developing countries do report positive results. For example, in Indonesia, Chavis (2010) found that competing for funds and taking advantage of local information led communities to reduce costs and increase efficiency in implementing road development projects.

For the dispersed, diverse, and largely rural population of Myanmar, regionally equitable development is at the heart of long-term sustainable and inclusive growth. Based on a cross-country analysis examining the relationship between territorial equity and fiscal and political decentralization in 26 countries, Rodrizuez-Pose and Ezcurra (2010) found that "fiscal decentralization has in the past triggered a significant rise in regional inequalities in the low income countries (p.637)" and that such "inequalities cannot be compensated by the positive effects of political decentralization (p.638)."

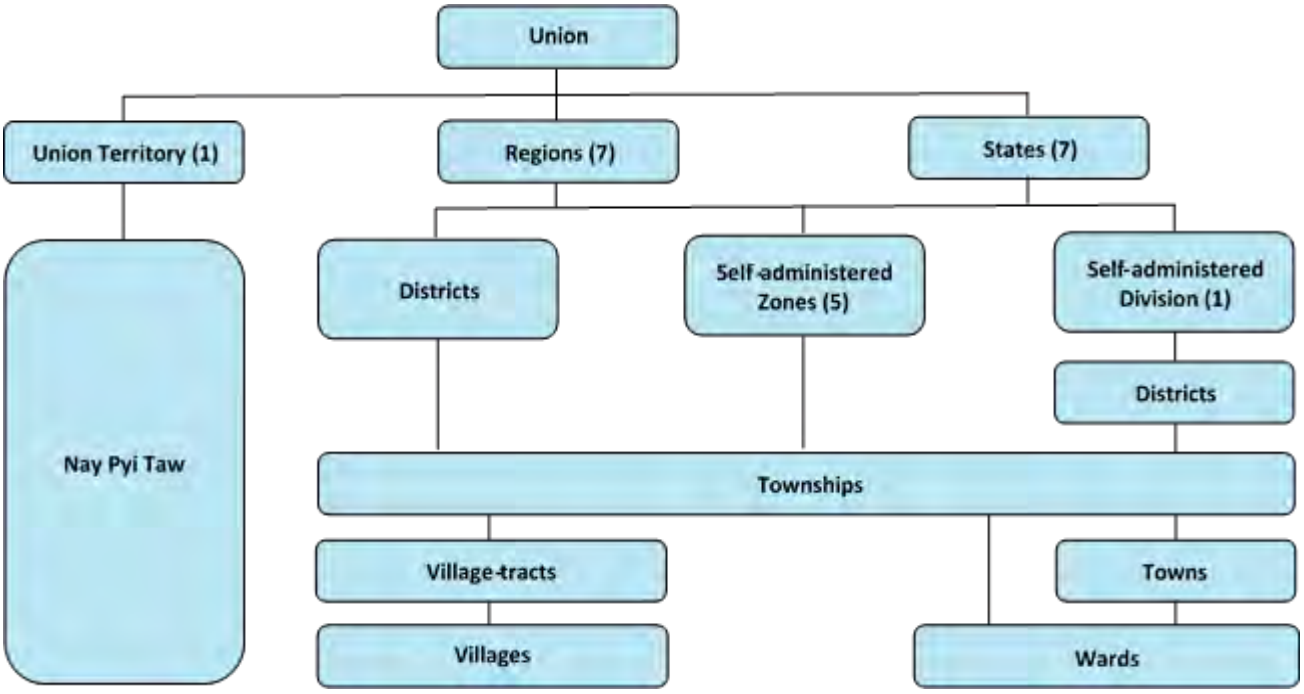
TWO: Current Status of Decentralization and Regional Development in Myanmar

2.1 Current Status of Decentralization

Myanmar is administratively divided into seven regions, seven states, and one Union territory (capital city of Nay Pyi Taw). According to Mie Mie Tin (2013), regions where mainly Burman reside have the same status as states where ethnic minorities are the majority. In the three major cities—Nay Pyi Taw (all Union territory), Yangon (the area covering 33 townships in four districts of the Yangon Region which is 44 townships in total), and Mandalay (one district among seven in the Mandalay Region)—the respective City Development Committees have the same duties as city governments in other countries. According to Mie Mie Tin (2013), the regions where mainly Burman reside have the same status as the states where ethnic minorities are the majority.

The current administrative system of Myanmar is shown in Figure 1.

Figure 1: Administrative System in Myanmar



Source: Mie Mie Tin 2013

Nixon et al. (2013) analyzed three dimensions of decentralization to region/state governments in Myanmar: 1) political (transfer of power and accountability), 2) administrative (managerial responsibilities), and 3) fiscal (expenditure responsibilities and corresponding financial resources). These authors' results reveal that Myanmar is still very centralized in all dimensions, and that there are imbalances across the three dimensions

which may lead to inadequately empowered local governments failing to meet public expectations. Based on these observations, Nixon et al. (2013) suggest the following reform priorities (pg 85):

- Rationalize state and region government administration and human resources;
- Deepen the deconcentration process within Union ministries;
- Broaden the scope of state and region government responsibilities;
- Strengthen public expenditure management, budgeting and resource allocation;
- Develop a transparent and rules-based inter-governmental fiscal system and resource sharing mechanisms; and
- Strengthen the capacity and political autonomy of state/region government.

In his speech to Union ministers, region/state chief ministers, and deputy ministers on 9 August 2013, President U Thein Sein outlined the major challenges for the remaining 30 months of his administration. The president stressed his intention to give high priority to a people-centered development approach, ensuring the delivery of socioeconomic gains that meet the basic needs of the people. In doing so, he highlighted the need to avoid overlap between Union ministries and region/state governments. The president urged further transfer of authority to region/state governments, including the oversight of municipalities, performance evaluation and management of related human resources, and appointment of primary education school teachers and medical staff to remote areas. In addition, he regarded the townships as the foundation for development in regions/states, calling for strengthening of township administrative staff and, to reflect the voices of the people, inviting parliament (Hluttaw) representatives to township committees.

2.2 Current Status of Regional Development

Myanmar is categorized as one of the least developed countries in the world. However, according tothe International Monetary Fund (2013), since 2009/10, Myanmar has achieved remarkable annual gross domestic product growth (GDP) growth of over 5%, and that this is accelerated by business confidence arising from progress on comprehensive reforms. A comparison of the two Integrated Household Living Conditions Assessments (IHLCA) conducted in 2004–2005 and 2009–2010, shows significant improvement on the social dimensions of well-being at the household level, including access to electricity, safe drinking water, health care, and secondary schooling. Similarly, the economic dimensions of well-being, such as decline of poverty, reduction in inequality, and falling levels of household debt, have also improved markedly—although the poorest people appear to experience greater landlessness, a rise in how much of their income is spent on food, and an increase in unemployment (IHLCA Project Technical Unit 2011). However, the IHLCA survey results must be interpreted cautiously, due to possible inaccuracies in the dataset.

Despite these promising signs from national indicators and the very low level of inequality shown in the IHLCA surveys, Schmitt-Degenhardt (2013) concluded his attempt to analyze the regional causes of poverty in Myanmar by stating “when the regional dimension is included, the level of disparity in all indicators becomes high (p.51).” For example, the poverty rates vary greatly between regions/states. Those with the three highest levels are Chin at 73%, Rakhine at 44%, and Shan at 33%, and those with the three lowest levels are Kayah at 11%, Sagaing at 15%, and Yangon at 16%. Also, the trend in the poverty rate is not improving. Although the poverty rate declined nationwide from 29.6% in 2005 to 22.7% in 2010, improvement was remarkably uneven across regions/states. While poverty decreased in almost all areas as much as 66%, in Kayin, Rakhine, Ayeyarwady, and Yangon, poverty incidence increased.

Schmitt-Degenhardt (2013) also conducted an in-depth analysis of seven selected regions/states, using 12 key criteria that represent the current situation and dynamics of poverty and inequality, as well as the expenditures, income and potential income for a typical poor household. This study illustrated the substantial variation across Myanmar's regions/states in both the current economic situation and development potential. Such variation could be both a rationale for increased decentralization that would enable tailor-made responses to diverse needs, and a rationale for not decentralizing as this could exacerbate regional differences. This article also confirmed the importance of investment to achieve diversification into more complex products, agriculture, and infrastructure (especially electricity, information technology and communications), as well as having a predictable macroeconomic framework.

THREE: Lessons Learned from Regional Development Activities in Myanmar

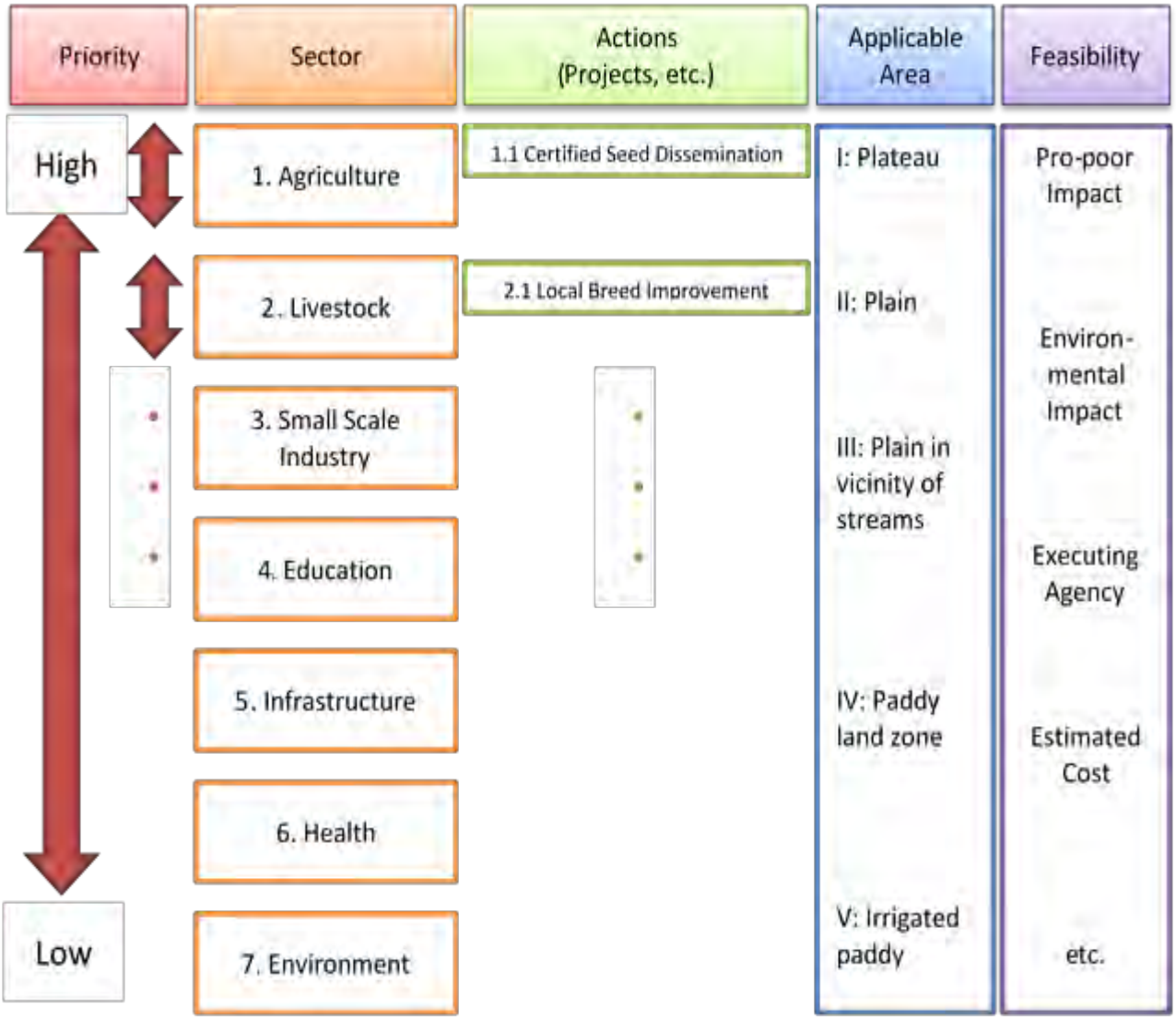
The previous sections reviewed theory and evidence about decentralization in developing countries in the context of regional development, as well as in Myanmar's current context. Building on these shared understandings, this section extracts lessons learned development interventions in Myanmar. All are based on literature that describes and evaluates previous and ongoing regional development interventions of the Japan International Cooperation Agency (JICA) in Myanmar. All were in fields of critical importance to Myanmar's sustainable growth—agriculture and rural development, health, and infrastructure. The author hopes that these lessons offer guidance for improving subnational governance in order to achieve balanced, regional development.

3.1 Designing an Agriculture and Rural Development Framework

The first case (JICA 2010) is that of an agriculture and rural development study, and pilot project activities in the central dry zone (CDZ). JICA implemented this project from 2006 to 2010 to improve agriculture—a sector crucial for sustainable development in rural Myanmar. President U Thein Sein, in his opening speech at the National Workshop on the Rural Development Strategic Framework held in November 2013, stated that "[o]nly when development of [the] agriculture and livestock sectors can be realized, will there be incomes for rural people, and poverty rates reduced as their livelihoods lie with these sectors." The CDZ includes 11 districts and 51 townships in the regions of Mandalay, Magway and Sagaing, and comprises approximately 11% of Myanmar's total land area and roughly 15% of its population. In the CDZ, the per capita output for agriculture and livestock is much greater than the national average. Despite its importance in the agriculture and livestock sectors, the CDZ suffers from high variability and lack of rainfall (only 700–1,000 mm per year). Given this situation, the JICA study aimed to promote comprehensive poverty reduction and regional development in the CDZ by designing action plans and building the capacity of government, communities, farmers, and other stakeholders.

The study was conducted in two phases. During the first phase, the study classified the entire CDZ into five different areas based on several natural conditions. Then, two types of development frameworks were formulated. The first was a macro-level framework listing multiple actions classified into seven sectors that correspond to the responsibilities of ministries in the Union government: agriculture, livestock, small-scale industry, education, infrastructure, health, and environmental protection. The sectors and actions were then ranked according to the priorities of three different layers of stakeholders: 1) Union, region, and district government officials, 2) township officials, and 3) village representatives. At the next stage, actions suitable for each of the five different natural area types were selected and prioritized. The framework was then completed by providing information on the feasibility of the proposed actions, including the environmental, social and pro-poor impacts, the executing agency concerned, and the estimated costs. Figure 2 shows the structure of the macro-level regional development framework.

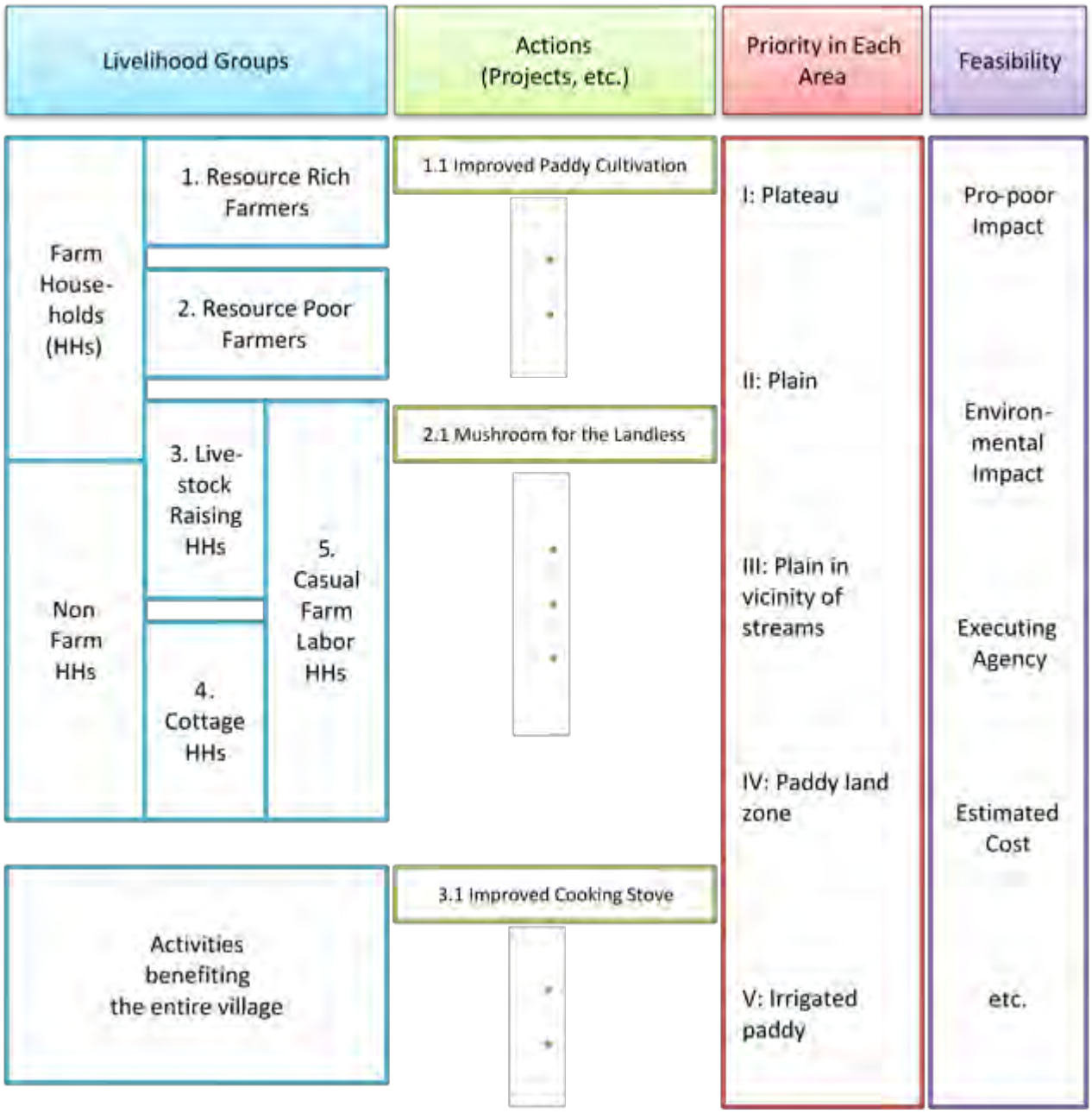
Figure 2: Illustration of Macro-level regional development framework for CDZ



Source: Author based on JICA 2010, pg 4-39, Figure 4.5.

The micro-level framework was the second developed by JICA. Under this one, there was no prioritization by sector or action. Instead, five groups that represent typical livelihood types in the CDZ were identified. These were: resource rich farmers, resource poor farmers, livestock-raising farmers, cottage industry producers, and casual farm laborers. Interventions targeting each livelihood group, as well as interventions to benefit all villagers, such as infrastructure development, were then listed. Finally, the suitability of the interventions proposed for each of the five natural area types was considered. Figure 3 shows the structure of the micro-level regional development framework.

Figure 3: Illustration of Micro-level regional development framework for CDZ



Source: Author based on JICA 2010, pg 4–97, Figure 4.6.2

During the second phase of the study, pilot projects were implemented based on the two frameworks that had been developed. In fiscal year (FY) 2007, six villages in six townships that were selected from all five natural area types were chosen as the project sites. The projects were chosen 'bottom-up'—meaning that the micro-level framework was used. Since the interventions did not fall under a sector supervised by only one Union ministry, the set of activities chosen can be classified as a comprehensive rural development program. In FY 2008, 12 townships, including the same six townships selected in FY 2007, were chosen as pilot project sites. This time, the activities were based on the macro-level framework, meaning that they were top-down, although the views from the townships and villages were taken into account during the prioritization process.

As the projects originated from the macro-level framework, they were intended to cover a wider area, not just a particular village. Therefore, government extension workers were utilized in order to promote wider application of the approaches used in the pilot activities.

In addition to the many informative lessons learned for sector-specific problems, the study offered several important recommendations for designing and implementing a regional development framework. First, in accord with macro policy measures outlined by the respective line ministries, the study recommended the establishment of empowered local government institutions to coordinate the comprehensive village-level activities. This approach was taken because the bottom-up activities proposed in the micro-level framework focused on the livelihoods of villagers, and were cross-sectoral, and hence, cut across the jurisdictions of multiple ministries. Second, the study called for strategic alignment of bottom-up activities to match macro-level actions. Clarifying the linkage between bottom-up activities and higher-level policy goals means that if the pilots are successful, the activities could be scaled up in nearby areas. Third, based on a variety of field experiences, the study emphasized the importance of increasing opportunities for peer-to-peer learning. In Myanmar, top-down information sharing is quite efficient. The study team encountered many extension workers who could respond accurately about the instructions from the central government. Government targets, such as annual rice production volume for a certain area, were also well understood. However, during the study, the study team rarely heard from extension workers about their actual field experiences, and they also found that information sharing among stakeholders working in the same area was not frequent. Given these findings, staging opportunities for stakeholders to exchange lessons learned during project implementation could enable them to improve their practical knowledge and skills. This would not only result in better execution of their work, but also in designing a better framework for future application.

3.2 Strengthening the Capacity of Basic Health Staff (BHS)

The second case is a project to strengthen the capacity of basic health staff (BHS) through support to regional/state government staff in all 14 regions/states, in addition to BHS in 17 pilot townships, including at least one from each region/state. The project started in 2009 and is expected to finish by May 2014 (JICA 2011). There are roughly 20,000 BHS in Myanmar, which are at the forefront of providing medical services in townships and in the lower levels of administration. According to the project design document, the shortage of BHS and the poor quality of services they provide are among reasons for high maternal, infant and child mortality, and high morbidity from infectious diseases. As mentioned in a speech made by President U Thein Sein in August 2013, regional human resource management in the health sector is under review in the current decentralization reforms. In light of the above circumstances, the project aims to strengthen the capacity of BHS through improving the in-service training programs offered by the training teams working at the Union, region/state, and township levels.

The intended four outputs of the project are as follows: 1) a functioning Central Training Team (Union level), 2) establishment of a Training Information System (for reporting from the township up to the Union level), 3) strengthened management of training and of teaching methods, and 4) strengthened supervision by the upper-level training team to support the lower. The mid-term review (MTR) conducted in December 2011 revealed progress in the activities related to the four project outputs. Towards the first output, the Central Training Team comprised of directors and other members of Ministry of Health staff was established in 2010, and quarterly meetings of the team have been held since then. However, the MTR also found that the Central Training Team had not totally fulfilled its duties and responsibilities as expected, and that the team needed to develop guidelines for providing support and supervision of lower-level teams as they prepare training plans. Regarding

the second output, the Training Information System was officially launched in 2010, and a handbook was compiled to give guidance on the flow of information, reporting formats, and the system for coding different types of training. While many region/state training teams were successful in delivering reports to the Central Training Team on the results of training activities, the MTR team pointed out that the data reported were not analyzed properly or utilized in preparing future training programs. Regarding the third output, the duties and responsibilities of region/state and township training teams were clearly defined, but several teams have not been able to compile annual training plans to guide their respective activities for the year. Regarding the last output, most training teams in pilot townships conducted supportive supervision of rural health centers, while the region/state training teams struggled to supervise the township teams due to their financial and human resource limitations.

Based on these observations, the MTR offers practical lessons for capacity building across different layers of government, which is of critical importance for delivery of quality health services in regions/states and rural areas. First, the review finds that frequent rotation of leaders at the region/state and township levels is hampering smooth implementation and sustainability of the in-service training activities. The review also notes that the Region/State Health Directors, Deputy Directors and Township Management Officers who supervise health service provision in each local administrative area, need to be supported by township health officers who have stayed in their position for a long time, are familiar with the local situation, and are also highly mobile in providing area-wide services. These important findings seem to suggest the need to develop local capacity to make decisions about allocating human resources. Second, the review points out the lack of capacity at the region/state level. While the pilot township training teams have shown remarkable outreach, and the Central Training Team has acquired sufficient training knowledge and skills to enable them to evaluate and give lectures in several United Nations' supported health programs, the region/state training teams have not been able to fulfill their expected responsibilities. Third, a scale-up strategy is deemed necessary to disseminate the good practices in pilot townships to other parts of the country. Fourth, the review revealed that townships are adjusting the training programs according to the evolving needs and demands throughout the year. This demand-driven adjustment at the township level creates gaps between local needs and the supervision activities that the region/state training teams conduct, which are based on annual plans prepared at the beginning of the year. The review recommends that monthly reports should be submitted to the Training Information System in order to inform the upper-level teams about the adjustments and modifications that have been made to the annual plans.

3.3 Developing Basic Regional Infrastructure

The third case is the recently started *Regional Development Project for Poverty Reduction (Phase I)*,which plans to use roughly $220 million (including around $170 million from a highly concessional foreign loan), to build and rehabilitate local infrastructure (roads, bridges, electricity, and water supply) in all 14 regions/states (JICA 2013). Based on the objectives of the project, the urban areas in Yangon and Mandalay have been excluded. Recent national averages for access to electrification (26%), the road pavement ratio (12%), and access to safe water (70%) indicate the poor state of infrastructure in Myanmar. The numbers are worse for rural areas (16% for the electrification ratio and 60% for access to safe water).

The loan is funding 79 subprojects: 21 subprojects for regional trunk roads (asphalt and concrete) and bridges of less than 100 meters in length on these roads; 28 subprojects to increase access to electricity (20 for transmission/distribution lines, substations and transformers, 7 for replacement of generators, and 1 for small-scale hydropower); and 30 subprojects for water supply pipes and water purification facilities. The executing

agencies are Union-level ministries, and their responsibilities are as follows: 1) the Foreign Economic Relations Department of the Ministry of National Planning and Economic Development is responsible for overall management and coordination of Union ministries and region/state governments; 2) Public Works of the Ministry of Construction is the executing agency for the road subprojects; 3) the Electricity Supply Enterprise of the Ministry of Electric Power is responsible for the electricity subprojects; and 4) the Department of Rural Development (DRD), now under the Ministry of Livestock, Fisheries and Rural Development, is responsible for water-supply subprojects.

Table 1: Planned Subprojects under the Regional Development Project for Poverty Reduction (Phase I)

Road and bridge subprojects (21 subprojects in total: 19 subprojects for asphalt paving and 2 subprojects for concrete paving (one-lane roads in all the subprojects) and bridges of 100 meters or less on these roads)
Electricity subprojects (28 subprojects in total: 20 subprojects for rehabilitation/expansion of small- and medium-scale power transmission/distribution lines, and rehabilitation of power substations and transformers; seven subprojects for replacement of power generators; and one subproject for rehabilitating a small-scale hydropower plant).
Water-supply subprojects (30 subprojects in total for development/expansion of water supply pipes and development of water purification facilities in rural cities)

Source: JICA (2013)

Implementation of the project has just begun, but it seems that there are already several informative lessons from the start-up phase. First, coordination across sectors at the Union level appears to be a great challenge. There were several months delay in establishing the project management groups comprised of representatives from concerned ministries. More importantly, leaders in some of the regions/states expressed views on the priority of subprojects which differed from those of the Union ministries. They sometimes even suggested using region/state funds instead of project funds in order to quickly implement urgent subprojects. Institutional arrangements for coordination alone may not be sufficient to reconcile the perspectives of sector policy planners and of local stakeholders. In addition, this finding may indicate that local decision making based on clear policy guidelines from the central level may not only reflect local preferences better, but also lead to faster action.

Second, rigid annual budget management may become an obstacle for smooth implementation. While the foreign concessional loan is made available over a multi-year implementation period based on the actual progress of the subprojects, line ministries are required to secure a budget each year for each subproject, and this must go through the budget formulation process during the previous fiscal year. Contracts for goods and services under the project must go through a competitive bidding process, and therefore the schedule and cost of a subproject may be subject to adjustment, depending on the outcome of the bidding. In addition, much of the construction work has to be implemented during the half-year dry season. Given all these conditions, there is a risk that excessively rigid management of the annual capital expenditure budget may force an unnecessary rush to make decisions, and also cause delays in the field.

Third, there is no appropriate Union-level ministry which supervises the regional urban water supply activities. For this project, the DRD has been designated as the executing agency for implementing the water supply subprojects. However, the DRD's responsibility within the Union government, is rural development, and consequently, the DRD does not have good oversight of the regional urban water supply system. In most cases,

this is handled by the municipalities. Nixon et al. (2013) indicate that municipalities have direct relationships with the region/state Minister for Development Affairs, unlike other regional/state sector departments which are directly accountable to Union ministries (Figure 6, p.16). However, the initial research conducted by Nixon and his co-authors did not include in-depth analysis of this relationship. Most regional municipalities appear to be underdeveloped institutionally compared to large cities such as Yangon and Mandalay, where City Development Committees have the same duties as city governments in other countries (Mie Mie Tin 2013).

The above mentioned loan project is designed to examine and overcome these issues and ensure smooth implementation with support from external consultants. As interventions from external development partners can meet only a limited amount of demand, to support regional development, Myanmar will need to consider fixing its own governance system to improve provision of basic infrastructure and services.

FOUR: Discussion and Way Forward

What do these lessons learned from actual interventions tell us about the future direction for improved subnational governance and balanced regional development in Myanmar? While the theory of decentralization favors transfer of authority from the central government to the local government, the evidence seems to imply that in order to be effective, decentralization needs to be carefully designed to strike the right balance between local preferences and national/sector policy for regional development. The lessons from the cases examined in this article can be summarized as three tasks that could be the key to finding the appropriate formula for balanced regional development. These are: 1) developing a mechanism for integrating top-down and bottom-up priorities, 2) deepening the process of centralizing information in order to continuously adjust strategic plans to match needs on the ground, and 3) making the best use of existing institutions at all levels of government.

4.1 Develop a Mechanism for Integrating Top-Down and Bottom-Up Priorities

Theory tells us that decentralization will enable the government to capture local preferences better and provide public services more efficiently. However, in the 2010 JICA study on agriculture and rural development in the CDZ, it was observed that village representatives had a tendency to prioritize sectors and actions that have direct impact on their revenues and livelihoods (for example, direct support for cottage industries and promoting livestock production). This differs from the inclination of upper-level government officials to support activities related to public service provision such as development of infrastructure and education. In addition, according to JICA (2010), bottom-up activities could be more expensive as they are often tailor-made. Bottom-up activities could also be both financially and technically less viable if based on “wish-lists,” rather than on feasible projects. Macro policy is needed to assess the bottom-up requests and to tackle horizontal disparity between different regions of the country. Top-down activities, on the other hand, may appear to be a more efficient investment, but could mean providing something that does not match the needs on the ground. Therefore, micro policy is needed as well to conduct ‘reality checks’ on macro policy.

The arguments in favor of decentralization, as well as recommendations in the previous section that call for establishing coordinating bodies, count on an institutional framework to provide the solution to both matching people’s preferences and to achieving technical efficiency in the context of regional development. However, as seen in the case above on developing basic regional infrastructure, institutional arrangements for coordination alone may not be sufficient to reconcile the varying perspectives offered by sector policy planners and local stakeholders. In addition, there needs to be a mechanism to formulate a strategic framework for regional development that integrates the differing views of various levels of government stakeholders. Conscious efforts to link activities on the ground with higher policy goals, as recommended by the mid-term review of the BHS capacity strengthening project, will be required to create a functioning mechanism. However, further study is needed to determine whether the simple weighting methodology to rank sectors and actions, as adopted in the CDZ development study, will be suitable for Myanmar.

The choice of which level of stakeholders makes decisions, and which level implements action should be based on careful assessment of their efficiency and effectiveness to execute the integrated strategic framework. Similarly, the budget system should be flexible enough to provide sufficient financial resources at the right time and place, especially for capital expenditures which require funding over multiple years. It is hoped that the current reform of public financial management initiated by the Ministry of Finance will create a medium-term

budget system that will allow such flexibility, while also maintaining fiscal discipline.

4.2 Strengthen the Information Centralization Process to Enable Continuous Adjustment of Strategic Plans

In order to maximize the benefits from an integrated strategic framework for regional development, the proposed and implemented policy actions under the framework need to be continuously adjusted to ensure proper execution of actions, constant monitoring and evaluation, and improvement of the framework to match the evolving needs on the ground. Information must be shared horizontally as well as downwards and upwards, to allow for meaningful adjustment of strategic plans across the vast regions/states of Myanmar. As mentioned in the CDZ development study, in Myanmar, information sharing among stakeholders working in the same territorial area is less frequent compared to relatively efficient top-down information sharing. In addition, in his speech delivered on August 9, 2013, President U Thein Sein stressed the need for townships to gather correct information on the ground in order to effectively implement socioeconomic development activities. This point not only indicates the president's understanding that many townships fail to collect accurate information, but also implies that facts and figures are not necessarily communicated upwards to the Union ministries as well as further up in the government.

In fact, according to the mid-term review for the BHS capacity strengthening project, townships seemto be capable of reporting regularly to higher administrative bodies, and more importantly, they are capable of adjusting themselves quite flexibly to the evolving demands and needs on the ground. However, it appears that the entire government system lacks the ability to utilize the reported information for planning or for sharing information on adjustments that have been made to annual plans, based on changing circumstances at the township level.

The evidence suggests the need for nurturing a culture that encourages both gathering accurate field information, and of swiftly reporting information upwards, even if it shows that policy has not been successfully implemented. Regardless of whether the central government decides to transfer authority to lower administrative bodies or not, it needs to stay on top of the situation on the ground in order to strategically guide and adjust the direction of regional development.

4.3 Make the Best Use of Existing Institutions

The literature promoting decentralization proposes institutional changes such as reallocating power and responsibility from the Union to local governments as means of strengthening subnational governance. The lessons from actual cases in Myanmar suggest that even under the current centralized regime, quite a few parts of the government system lack the capacity to perform their expected duties. For example, in the case of basic regional infrastructure projects, it was observed that no appropriate Union-level ministry supervises regional urban water supply activities, and that most regional municipalities appear to be underdeveloped institutionally. The BHS strengthening project indicates that the Union ministries and pilot townships have demonstrated their capacities, but the region/state governments seem to lack the resources to fulfill their duties. The project also pointed out that the current human resource management system in the health sector is forcing frequent rotation of leaders at the region/state and township levels, and that this is hampering smooth implementation and sustainability of the in-service training activities.

Choices about which level of government makes decisions, and which implements action, should be based on

careful assessment of the respective government's efficiency and effectiveness in executing the integrated strategic framework. In a country such as Myanmar, with so many parts of the government system needing overhaul, the costs of reallocating departments and human resources should also be a major factor in making decisions about whether to decentralize. Considering that the reform of organizations and human resource management systems takes time, and that the current administration is focusing on 'quick wins' to gain momentum for continuing the reform, the realistic option appears to be that of assessing and making the best use of existing institutions at all levels of government, while also considering the relationships among institutions. As emphasized by Charbit (2011), this is necessary at least in the short term and likely for longer, depending on the costs associated with making changes.

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