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CONCEPTUALIZING PUBLIC SECTOR REFORM IN MYANMAR

DAVID HOOK, TIN MAUNG THAN AND KIM N.B. NINH

Policy Dialogue Brief Series No. 2

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Yangon

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Naypyitaw

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ONE: INTRODUCTION

Since 2011, a series of major reforms have seen Myanmar move from a repressive political system to one that is more focused on people-centered development, a process of political and economic transformation that has been accompanied by some reform of the public sector, and by calls for much more. Public expectations of government are rising, and demands are more visible, given the greater space for public expression in recent years. As the government of President U Thein Sein has begun to reform the public sector, as part of its “people-centered development” agenda, it has decentralized decision-making from Nay Pyi Taw to states/regions, districts, and townships. Township committees have also been created, with some members drawn from society to increase the public voice in decision-making. But many challenging issues remain:

- Military rule between 1948 and 2008 has left a legacy of governing by directives and commands, rather than by public administrative law and institutional practices.
 - The “discipline-flourishing democracy” established by the Constitution of 2008 assigned control over important ministries such as Defense, Home Affairs, and Border Affairs to the military.
 - In particular, the General Administration Department within the Ministry of Home Affairs plays a key, coordinating role in public administration.
 - State and region governments have limited legislative or revenue powers under Schedules Two and Five of the 2008 Constitution (though such powers were augmented in July 2015 through a constitutional amendment).
 - The budget process at present provides Parliament and the public with minimal information about public finances, and limited opportunities to influence budgetary outcomes.
- The public generally perceives that in the past, civil service recruitment was not merit based, as in many ministries, former military officers still occupy almost all senior civil service positions.
 - Many ethnic minority groups feel that the civil service does not sufficiently represent them, particularly in local communities.
 - State enterprises would benefit from improved corporate governance. Better management, auditing, and reporting structures would help to make state enterprises and military-controlled holding companies more effective. These improvements would also reduce crony capitalism.
 - Strengthening governance structures in the natural resource sector now could stop oil and gas production from turning into a “resource curse” that leads to greater inequality and corruption.

Despite these issues, reform-minded actors across the political spectrum actually share much common ground, certainly more than polarized party political debates or news articles would suggest. Political trust is, however, a precious commodity, and one of the greatest challenges for the reform process is to restore trust between the government and the public. Moreover, discussions about public sector reform in Myanmar too often look for answers in Asia and the wider world without learning from the country’s own rich history of public administration.

This brief provides an explanation of what is meant by the “public sector” in Myanmar, and it examines what can be learned from the history of public-sector reform going back to the post-independence period, considers some strengths and weaknesses of the public sector in Myanmar, and presents some options for reform and a framework for thinking about reform as effective change.

1.1: Historical Context

Myanmar's experience of public-sector reform can be divided into four eras: (1) post-independence democratic governments from 1948 to 1962, (2) the Revolutionary Council years from 1962 to 1974, (3) Burma Socialist Program Party rule from 1974 to 1988, and (4) the military regime from 1988 to 2011. While there were many changes over these years, there was also much continuity.¹

Democratic governments (1948-62): The country's first prime minister, U Nu, attempted to transition the state from an authoritarian to a democratic model with welfare reforms and statist economic policies. For many, the years of democratic government still represent a golden era in the country's history of public administration, as the Constitution of 1947, modeled on the "Westminster system" of the United Kingdom, provided a strong legal framework for democratic government.² There are important lessons from this for future reforms, ranging from the role of the secretariat, to the corporate governance of state economic boards, to attempts at decentralization.

There were two houses of Parliament: the Chamber of Deputies, elected by universal adult franchise, and the Chamber of Nationalities, which ensured representation of the ethnic minority "frontier states," as agreed to at the Panglong Conference. Prime Minister U Nu led a cabinet of ministers that constituted the government. The new Constitution created governments and legislative councils in four states.³ In 1950, Prime Minister U Nu presented his *Pyidawtha* (Welfare) Program for state-led development and a welfare state.

By 1960, the size of government had increased threefold, with about 4,000 gazetted officers and 170,000 non-gazetted staff working for government ministries. New ministries, departments, boards, and corporations were created as the government expanded its role in the economy⁴ and social welfare. He also introduced several reforms to bring about an "independent, efficient, and honest" civil service, which he considered "the network of nerves and tissues" of government. The Institute of Public Administration was established in the Ministry of Home Affairs to train new staff.

It is also important to acknowledge the divisive tendencies that started to emerge at this time, which would continue to plague governments for the following 50 years.⁵ The descent into civil war that began under U Nu also started the long process of warping public administration.

The Revolutionary Council (1962-74): The Revolutionary Council seized power in 1962, suspending the democratic Constitution and vastly increasing the military's role in public administration.⁶ It founded a new political party called the Burma Socialist Program Party, based upon an ideological platform set out in the "Burmese Way to Socialism." Two years after seizing power, General Ne Win announced the abolition of all other political parties. For the next 12 years, from 1962 to 1974, Burma experienced a form of extra-constitutional rule.

The Revolutionary Council established a Central Security and Administrative Committee, with lower-level security and administrative committees appointed in every state and division, district, township, ward, and

¹ The secretariat system of the civil service, for example, was only dismantled in 1972.

² Following the Government of Burma Act in 1937, Burma had a separate administration. Laws such as the Burma Village Act of 1907 and the Burma Municipal Act of 1898 formed the legal basis of public administration. More than half of Burma's 800 or so laws still date back to this era.

³ Shan, Kachin, Karen, and Kayah, the seven predominantly Bamar divisions, as well as Mon Division and Chin Special Division. The remaining "frontier areas" were administered by the Frontier Areas Administration Department. The 13 state and division councils had lawmaking powers. State and division governments had their own secretariats, i.e., a civil service to manage basic administration.

⁴ State boards such as the State Timber Board, the State Inland Water Transport Board, and the State Agricultural Marketing Board managed newly nationalized businesses. Joint-venture companies were created in many sectors, including petroleum. The Defense Services Institute, established by the military, quickly became the country's largest business, transforming itself into the Burma Economic Development Corporation

⁵ The politics of U Nu's party, the Anti-Fascist People's Freedom League, became increasingly polarized and bitter as different factions turned against one another. An increasingly narrow and sectarian nationalism replaced the more inclusive Burmese nationalism of General Aung San. Prime Minister U Nu himself admitted to the Public Services Enquiry Commission that "we introduced tendencies which had a disruptive effect on the independence of the civil service, and consequently on its efficiency and integrity" (Government of Burma 1961, p.4).

village tract. In the first of many initiatives in Burma that saw the creation of parallel governance systems, the Central Security and Administrative Committee reported, not through the minister of home affairs to the cabinet, but directly to the chairperson of the Revolutionary Council. An “administration within an administration” had been established. The state and division committees, led by military officers and supported by the civilian general administration, implemented the policies of government and coordinated government departments.

The Revolutionary Council moved quickly to assert state control over the economy, extending the nationalizations of the democratic governments,⁷ and radically expanded the state sphere into many other aspects of civil life. The government dissolved the independent university councils of the University of Rangoon and the University of Mandalay in 1962. It introduced increasingly intrusive controls over the media and progressively banned or nationalized many of the private newspapers. It also exerted state control over the Sangha (the community of Buddhist monks), going so far as to establish a Buddha Sasana Sangha Organization in 1965.

The Burma Socialist Program Years (1974-1988):

The Burma Socialist Program era starts with the Constitution of 1974, which declared Burma a “socialist republic” and marked the return to civilian rule.⁸ State administration now took the form of a “people’s democracy,” with the fusion of party and state as its most striking feature.⁹ After the reforms of the 1960s, the public sector was almost coextensive with society itself, with the state at the center of both the economic and civil realms. The “socialist republic” saw the final abolition of the model of civil service that Burma had inherited at independence.¹⁰ Moreover, the government

abolished the Secretariat Manual, which had codified the laws, regulations, and standard operating procedures of public administration in Burma.

As the Burma Socialist Program Party (BSPP) transformed itself into a “mass party,” new party structures were established that came to rival the structures of the state administration. Workers’ councils and peasants’ councils were created at the village, township, and district levels. The civil service played less and less of a role in, for example, the formulation of public policy. Instead, this became the sole responsibility of party organs such as the Central Committee of the BSPP. State economic enterprises were fully integrated into the structure of the civil service. The corporate governance model of the state economic boards was abandoned. The distinction between civil servants and “government employees” of state enterprises came to an end, and state enterprises now functioned as a department within their parent ministry.

The new Constitution allowed for seven divisions and seven states at the subnational level, but ended any distinctions in their governance structures. The relative autonomy previously given to states and divisions was revoked. There was now no government, no legislative council, and no secretariat at the state and division level. Instead, the security and administrative committees of the Revolutionary Council era were formalized by the People’s Council Act into state and division people’s councils, marking yet another phase in Burma’s experiments with managed decentralization.

The Military Regime (1988–2011): From the perspective of the military, the Burmese state imploded during the crisis of 1988, with countrywide protests that brought down the ruling BSPP. The military regime that seized power in September 1988 took unprecedented

⁶ Through the Security and Administrative committees, the Tatmadaw now had a direct role in public administration.

⁷ The new government immediately nationalized the entire banking sector, followed by the import-export trade and then the retail and wholesale sector. By the late 1960s, the Revolutionary Council had nationalized the textile factories, saw mills, chemical works, and food industries.

⁸ A People’s Assembly replaced the Chamber of Deputies and Chamber of Nationalities. A State Council, elected from the Assembly, appointed a chairman and Council of Ministers.

⁹ The BSPP was now officially the party of the state. Increasingly, the party’s own committees became as important, if not more so, than other state institutions.

¹⁰ A Revolutionary Council directive, Notification Number 97, formally terminated the model of the secretariat and the general administration that had been the central administrative apparatus of both the pre-war and the post-independence democratic government civil service.

steps to substitute itself for the state over the next 23 years.¹¹ Following the coup, one of the first actions of the military regime was to suspend the Constitution and assume all executive, legislative, and judicial powers. The State Law and Order Restoration Council (SLORC), comprising 19 senior military officers, governed by proclamation or decree. In general, governance by law fell away, and this has had a marked impact on the character of public administration in Myanmar, lasting to the present day.

The military regime recreated an administrative structure that, like the colonial state, attempted to assert control from the center down to every village in the country. State law and order restoration councils led by military officers were established at the state, division, district, township, ward, and village tract level. The reformed General Administration Department (GAD) was integrated into the Ministry of Home Affairs to support the councils, and later the peace and development councils. The politicization of the civil service continued. Despite a formal ban on civil servants joining political parties, government employees were expected to join the Union Solidarity and Development Association.¹² As a result of Myanmar joining the world market, the relative importance of state enterprises in the economy has declined.¹³ In 2008, the military regime gave the country a new constitution, establishing a “discipline-flourishing democracy” that sought to maintain the role of the military as guarantors of the political system.¹⁴ The Constitution of 2008 was a key element in the military’s seven-step roadmap for returning the country to constitutional government, announced in August 2003.

TWO: LEGAL MANDATE AND STRUCTURE

The public sector in Myanmar includes the Union government, the state and region governments, and the Union territories. It also includes state economic enterprises and other entities that are owned 50 percent or more by the state.

2.1: Structure

The public sector is structured by the 2008 Constitution, which created a tripartite government:

- **Legislative power:** vested in the Union Parliament, or *Pyidaungsu Hluttaw*, and the region and state *hluttaws*.
- **Executive power:** vested in the president as head of government. The Union government comprises the president, vice presidents, Union ministers, and the attorney general.
- **Judicial power:** vested in the Supreme Court of the Union, as well as the high courts of the regions and states and the courts of self-administered areas.

The 2008 Constitution also establishes a federal system with power distributed between the Union government and 14 state and region governments. This distribution of legislative and administrative authority is codified in Schedules One and Two of the Constitution. States and regions are comprised, on average, of four or five districts each, 74 districts in total. Districts are comprised of four or five townships each, with 330 townships in total. Townships consist of wards in urban areas and village tracts in rural areas.

¹¹ Successive waves of transfers of military officers into the senior echelons of public service meant that in most ministries, nearly all directors general and deputy directors general, and about 50 percent of directors and deputy directors, were military officers. Former military networks are perceived to be an important means of “getting things done” in the civil service, and a civil servant’s military rank is often seen as more important than their civilian position. Many people consider these networks of patronage a major barrier to a merit-based system.

¹² After the protests of 1988, government employees were required to fill out forms describing their political views, and the military used this information to purge the civil service of perceived opponents. The mandatory courses conducted by the civil service training institutes for all government employees became even more ideological.

¹³ Between 1988 and 2008, the relative contribution of state enterprises to gross domestic product fell from 20 percent to seven percent.

¹⁴ The military enshrined its pivotal role in the political system by retaining 25 percent of parliamentary seats.

Union government ministries with a presence outside of Nay Pyi Taw typically replicate this administrative structure in their own internal structure.¹⁵ Below the state and region level, Myanmar does not have elected local governments. Over time, a third tier of government could emerge, most likely at the township level. Currently there are only indirectly elected representatives at the village tract level. In the larger cities of Yangon, Mandalay, and Nay Pyi Taw, city development corporations provide municipal services, and these have recently started to conduct elections, although they are elected by household heads rather than individual voters. However, at present, townships are simply an administrative unit of the Union and the state and region governments.

Union government: In 2015, the Union government was led by the president, two vice presidents, six senior ministers without portfolio, 30 ministers with portfolios, the attorney general, and the chairperson of the Union Civil Service Board. The powers of the Union government are codified in the Constitution, and Article 96 of the Constitution gives the Union Parliament the authority to pass laws on many matters. The legislative list in Schedule One of the Constitution ranges from defense and security, to finance and the economy, as well as health, education, and welfare.¹⁶ In contrast, the legislative list for state and region parliaments is limited.

The president, as head of government, takes ultimate responsibility for the functioning of government ministries. In Myanmar, however, the Constitution allows the commander of the armed forces to nominate military personnel as ministers to the three key ministries of defense, home affairs, and border affairs. Government

ministries in Myanmar are typically established on a functional basis, giving rise to ministries of finance, education, health, defense, and so on.¹⁷ An ongoing challenge for public sector reform in Myanmar has been the large number of Union ministries. There are 30 – nearly double the international average of 16. Although this is not necessarily a problem, it is important for governments to review the structure of ministries periodically to see if it is possible to improve coordination, avoid overlap, and minimize costs.

State and region governments: Since 2008, power has been shared between the Union government and the state/region governments, though this power-sharing arrangement is still limited and evolving. States and regions are governed by the same constitutional principles; the difference in terms simply reflects the historical differentiation between predominantly ethnic minority states and Bamar-majority regions. The president appoints the chief minister of every state and region, and the role is a powerful one. The chief minister nominates his or her cabinet ministers and assigns ministries to each, in consultation with the president. There are approximately 10 ministers in each state and region, who are accountable to their state or region parliament.

Key powers granted to state and region governments:¹⁸

- **Article 188** gives authority to the state and region governments to pass laws on certain matters, while Schedule Two outlines their limited authority to manage the state or region budget, local roads, bridges, ports and jetties, and local economic activities.

¹⁵ For example, the Ministry of Home Affairs' General Administration Department has its headquarters in Nay Pyi Taw, and offices in the states/regions, districts, and townships.

¹⁶ In 2015, there were 30 Union-level ministries, the President's Office, the Union Attorney General's Office, and the Union Civil Service Board. Each ministry is led by a high-ranking political appointee known as a minister. In Myanmar, there are also usually one or more vice ministers, often appointed for their professional and technical skills. Ministries are organized into several departments, each led by a director general responsible for an aspect of the ministry's work. A large ministry such as the Ministry of Education includes departments for primary, secondary, and tertiary education. The departments are where most of the work of government is done. In Myanmar, the departments are further divided into divisions, branches, and sections.

¹⁷ It is interesting to note, however, that in Myanmar one of the most powerful ministries is structured on a territorial basis – the Ministry of Home Affairs, which has a strong coordination role. Its General Administration Department has offices in the states and regions, and districts and townships, and it has a presence all the way to the village level.

¹⁸ Constitution of the Republic of the Union of Myanmar (2008)

- **Article 254** gives the state and region governments the authority to raise revenues, and Schedule Five limits revenue sources to taxes on land, vehicles, and salt, and excise taxes. Schedule Five was significantly expanded in July 2015, through a constitutional amendment, to include taxes and fees from oil and gas, mining, gems, and teak among others sources.¹⁹
- **Article 257** gives the state and region governments the authority to establish a civil service – an important power that state and region governments have yet to exercise.

Typical Structure of State and Region Governments

1. Chief minister
2. Minister of security and border affairs
3. Minister of finance and revenue
4. Minister of planning and economics
5. Minister of agriculture and livestock
6. Minister of forestry and mines
7. Minister of transport
8. Minister of electric power and industry
9. Minister of social affairs
10. Minister of development affairs

The key role of state and region ministers is primarily to coordinate or advise on the work of the other Union ministries that have offices at the state and region level.²⁰ Support services to both the executive office of the chief minister and the legislative office of the state and region *hluttaw* are provided by the GAD through an office known as the Government Office.

The Union government’s commitment to decentralization and delegating some power to states and regions is a positive first step. The Constitutional Review Joint Committee has the authority to review the distribution of functions codified in the Constitution, and over time it is expected that more public services will be delegated to the states and regions. An important challenge to note is that state/region governments currently have a very limited revenue base. For the states and regions to assume more functions from the Union, they will need more operating funds than they are currently receiving from the Union Financial Commission and the few taxes they are permitted to collect.

State Economic Enterprises: In 2015, Myanmar had 44 state economic enterprises operating in sectors from timber to textiles. According to the International Monetary Fund (IMF), the state economic enterprises play an important role in Myanmar’s economy, accounting for about seven percent of GDP and about two-thirds of government revenue. They are also very important employers,²¹ and are, in general, completely integrated into the structure of government ministries.²² Myanmar Timber Enterprise, for example, operates as a department within the Ministry of Environmental Conservation and Forestry. More than half of the ministry’s employees work for the enterprise department, which often performs tasks such as policy formulation or procurement that are essential to the functioning of the entire ministry. The Civil Service Personnel Act covers government employees working for state economic enterprises as well as civil servants.²³

There are also a large number of businesses that are controlled by the military through powerful holding companies. While not formally considered state economic enterprises, the military-owned Myanmar

¹⁹ <http://www.president-office.gov.mm/zg?q=hluttaw/law/2015/07/26/id-9805>

²⁰ The state minister of agriculture and livestock, for example, might have inputs into the plans of the Union Ministry of Agriculture and Livestock in his/her particular state or region, but the decisions are made in the Union ministry.

²¹ For example, Myanmar Timber Enterprise has about 20,000 employees.

²² Myanmar Timber Enterprise, for example, operates as a department within the Ministry of Environmental Conservation and Forestry.

²³ State enterprise employees receive the same salary and non-salary benefits as civil servants and are subject to the same rules and regulations. This contrasts with the practice of many other countries, where a distinction is often made between those who work in the ministries as civil servants and those who are considered part of the larger public sector, such as those working in the health or education sectors, the police, or state economic enterprises. This is because civil servants are not simply employees of the specific government in power, but are expected to maintain state institutions over time.

Economic Holdings Limited²⁴ and Myanmar Economic Corporation²⁵ play an important role in the economy and also in financing the military. This budget support is not accountable to Parliament or reported in the Union budget. How best to manage state economic enterprises is an important issue for public sector reform in Myanmar. The recent reform experience of the telecommunications sector provides a good example and precedent for other sectors to consider.²⁶

2.2: Policy Development

For many years, policies were made by a small group of senior generals, and ministries primarily implemented policies rather than participating in policymaking or policy review. As such, the policy-making capacity of many ministries greatly deteriorated over the years. The most striking feature of the public policy process during the time of the government of President U Thein Sein is that it tends to take place at a very senior level, primarily that of the president and his cabinet ministers. The civil service generally plays a very small role in advising and supporting ministers in their setting of public policy. However, as the civil service reestablishes its professionalism and confidence, it should become an important source of advice on public policy.

To compensate for the weakness in policy-making capacity, the Union government has relied on policy support from many advisers, including those who are members of the National Economic and Social Advisory Council.²⁷ For the long term, the government will also

need to support capable experts within ministries and agencies, as well as in other relevant institutions such as universities and think tanks. The government has also made effective use of reform-minded vice ministers, some of whom have strong technical knowledge and experience in their fields.²⁸

Under President U Thein Sein, policy coordination has tended to be led by the Office of the President. The president has appointed six senior ministers to take the lead on important issues such as the peace process and assisting him in coordinating government business. The president has also established a high-level reform steering committee, which he chairs. This committee includes the vice presidents and four of the six senior ministers. The reform steering committee acts as a “cabinet within the cabinet,” and was needed because the full cabinet was too unwieldy a coordinating mechanism, comprising as it does more than 30 ministers with differing political views and approaches to reform. The president, vice presidents, and three of the senior ministers chair six cabinet committees, which coordinate the business of government. These committees are Foreign Affairs; Economics; Private-Sector Development; Public Administration and Ethnic Affairs; Security and the Rule of Law; and Health, Education, and Social Affairs. There are a large number of cabinet subcommittees that have been created as the need has arisen.²⁹ The cabinet secretariat is located in the Office of Government, which is part of the Office of the President.³⁰

²⁴ Myanmar Economic Holdings Limited has business interests in a wide range of sectors – gem mining, garment manufacturing, logging, saw mills, furniture manufacturing, food and beverage imports, supermarkets, banking, hotels, transportation, real estate, telecommunications, electronics, and the steel and cement industries.

²⁵ Myanmar Economic Corporation is involved in steel, cement, banking, insurance, and other sectors.

²⁶ The arrival of international telecommunication companies has brought benefits to the public through competitive pricing and improved services. It has also highlighted the need to reform the corporate governance of Myanmar Post and Telecommunications, which is presently a department within the Ministry of Communications and Information Technology.

²⁷ These advisers include eminent Myanmar citizens, a number of whom have been educated abroad and have lived outside the country for extended periods of time. Some committee members are previously exiled pro-democracy activists and former employees of international organizations. As these advisers and advisory committees proliferate, given the wide-ranging needs of the government, effective management and coordination mechanisms are necessary to avoid overlap and confusion in technical advice and policy perspectives.

²⁸ The Ministry of Communication and Information Technology, for example, has benefitted from vice ministers who are not only technical experts, but also have private-sector experience and access to international expertise.

²⁹ In August 2013, the president announced that 28 of these subcommittees would try out a new approach to reform by consulting directly with the public.

³⁰ The function of the cabinet secretariat is to organize cabinet business, manage cabinet documents, and prepare rules guiding the operation of the cabinet.

2.3: Public Finances

The Ministry of Finance is the custodian of the government's public financial management system. This system manages how the government raises revenue through taxes,³¹ and how it spends the money. The system is regulated by laws and procedures that seek to ensure high standards of probity and accountability. The government recently conducted an assessment of its public financial management system that concluded that the system needs major reform.³² Important foundational laws, such as an organic budget law and a procurement law, that govern modern public finance systems are absent in Myanmar. The information included in the budget is not sufficient to allow Parliament to effectively perform its oversight role.

Government of Myanmar Expenditure, 2011-2015

	2010/11	2011/12	2012/13	2013/14	2014/15
Total expenditure	16.9	16.6	25.0	26.5	28.7
Health	0.2	0.2	1.5	1.1	1.3
Education	0.8	0.8	1.6	1.8	2.0
Defense	3.3	2.9	4.4	4.1	3.8
Wages and salaries	1.1	1.2	1.9	2.1	2.1

Source: International Monetary Fund (IMF) Article IV 2014

The most striking feature of public expenditure in Myanmar is that it has increased rapidly in recent years, to almost 29 percent of GDP.³³ Government priorities have also shifted in recent years. Spending on education and health increased substantially between fiscal years 2010-2011 and 2014-2015, albeit from a low base. Health's share increased six-and-a-half times, to 1.3

percent, and education increased two-and-a-half times, to two percent. Over the same period, spending on defense increased by one-fifth, to 3.5 percent.

The government allocates a very high proportion of the budget (as much as 40 percent) to capital investment such as road construction and other infrastructure.³⁴ The wages and salaries bill, by contrast, is very low at about 7.5 percent. Internationally, low-income countries spend about 19 percent on capital investment, and 25 percent on wages and salaries, compared to 31 percent and six percent, respectively, by high-income countries. The largest spending portfolios in Myanmar are energy (21 percent), followed by defense (18 percent), agriculture, forestry, and fisheries (seven percent), construction (six percent), and industry (five percent).³⁵

Government of Myanmar Revenue, 2011-2015

	2010/11	2011/12	2012/13	2013/14	2014/15
Total revenue	11.4	12.0	23.3	24.8	24
Union government	6.3	6.5	9.5	11.4	10.4
Tax revenue	3.3	3.9	7.1	7.2	7.4
State Economic Enterprise receipts	7.0	7.8	15.3	14.7	14.3
Grants	0.0	0.0	0.1	0.2	0.4

Source: IMF Article IV 2014

The most notable feature of public revenue in Myanmar is that it doubled between 2010 and 2012, from 11.4 percent of GDP to 23.3 percent of GDP. This is almost entirely the result of revenue from new petroleum ventures.³⁶ According to the IMF, government tax revenue in Myanmar is very low at 3.3 to 7.4 percent of

³¹ Certain laws govern tax-related matters, including laws on Income Tax (1974), Profit Tax (1976), Goods and Services (1976), Foreign Investment (1988), and Commercial Tax (1990). Related regulations such as the Financial Instructions (1986) instruct civil servants how to manage public finances or procure goods and services.

³² Ministry of Finance, government of Myanmar and World Bank assessment available at www.pefa.org/fr/assessment/files/1129/rpt/8131.

³³ Myanmar now has a public sector comparable in size to other states in the region such as the People's Republic of China, Vietnam, Thailand, and Cambodia. Until recently, the size of government in Myanmar was barely 15 percent of gross domestic product (GDP), well below that of most other countries in the Association of Southeast Asian Nations (ASEAN). In affluent Organisation for Economic Cooperation and Development (OECD) countries, the size of government is about 40 percent of GDP.

³⁴ Ministry of Finance (2012), *Republic of the Union of Myanmar Public Financial Management Performance Report*. Nay Pyi Taw: Ministry of Finance.

³⁵ World Bank (2014), *Myanmar: Ending Poverty and Boosting Prosperity in a Time of Transition* (Washington, DC: World Bank).

³⁶ Petroleum revenue is generally a benefit because government can use it to finance social and economic development. In some countries, however, the exploitation of oil and gas has resulted in what has come to be called the "resource curse," and Myanmar needs to take steps to avoid this.

GDP, the lowest in Asia.³⁷ Moreover, the government in Myanmar is highly reliant on dividends from state economic enterprises, which in recent years have contributed as much as two-thirds of public revenue.

2.4: Management

The government is responsible for managing the civil service. The Myanmar civil service classifies staff into two categories: gazetted officers and non-gazetted administrative staff.³⁸ The most senior civil servants in the gazetted officer corps are called either directors general or managing directors, and they are typically in charge of a department within a government ministry or a state economic enterprise. The civil service recruitment system in Myanmar is what is known as a “closed system,” because external candidates are not allowed to apply for other than entry-level positions.

According to the Civil Service Personnel Act,³⁹ the cabinet decides policy, approves organizational structures, and agrees on the salary scale of civil servants. Myanmar’s Civil Service Personnel Act applies to all government employees other than the military and the police. The Constitution acknowledges the role of the Union Civil Service Board (UCSB) in the selection and training of civil service personnel and the preparation of civil service regulations.⁴⁰ The Union Civil Service Board has a leading role in managing training institutes

at Paunggyi and Mandalay that provide a range of foundation and senior management programs. The GAD, however, has its own training institute – the Institute for Development Administration – and other ministries are also establishing their own training institutes to provide ministry-specific curricula.⁴¹ Several other Union ministries are also involved in the management of the civil service. The Office of the President and the Ministry of Home Affairs play a leading role in carrying out the president’s policy of administrative reform. The Ministry of National Planning and Economic Development advises the cabinet on the organizational structures and staffing requirements of Union government ministries.

The Ministry of Finance advises the cabinet on pay and salary issues: civil servants and other government employees in Myanmar receive a salary, and most also receive non-salary benefits such as housing, medical care, and a pension. There are indications that the government’s approach to remuneration is struggling to achieve these goals, particularly since the liberalization of the economy has allowed the private sector to play a greater role in the labor market.⁴² In recognition of the low pay in Myanmar’s civil service, the government announced in March 2015 a substantial salary increase for civil servants.

³⁷ Such a low percentage sometimes indicates that a country has problems with its civil service, such as lack of capacity in tax administration and/or problems with corruption. In some countries, a low tax-to-GDP ratio can also indicate that the state has a crisis of legitimacy, where citizens avoid paying taxes because they do not trust the government.

³⁸ There are six gazetted officer grades. Below the directors general (managing directors in state economic enterprises) are deputy directors general (general managers), directors (deputy general manager), deputy directors (assistant general managers), assistant directors (managers), and staff officers (assistant managers). The officer grades are supported by six grades of non-gazetted administrative staff. The most senior grade is office superintendent (supervisor), then branch clerk (assistant supervisor), senior clerk (senior technician), junior clerk (junior technician), senior assistant, and junior assistant.

³⁹ The Act sets out the general framework for the management of civil servants, as well as addressing specific terms and conditions of employment such as leave and pensions. The act commits to a meritocratic civil service, free from discrimination on the basis of race, birthplace, religion, or gender. In recognition that neutrality is critical to maintaining the bureaucracy’s professionalism, the act also specifies, “Civil service personnel shall be free from party politics.” How this is enforced in practice is not clear.

⁴⁰ The chairperson of the UCSB answers directly to the president. The constitution also states that the appointment, promotion, retirement, and disciplining of civil service personnel must be in accordance with the law. By international standards, the UCSB itself has quite a limited mandate, and its role has changed considerably since the era of democratic governments between 1948 and 1962.

⁴¹ For example, the Ministry of Finance has a new Public Financial Management Academy; the Ministry of National Planning and Economic Development is moving ahead with a Graduate School for Public Administration, and it also recently established the Myanmar Development Institute, modeled on the Korean Development Institute, with a focus on policy and research.

⁴² For example, a director general at the top of the salary structure who may have 30 years of experience earns just four times the salary of a junior assistant at the bottom of the salary structure who may only have 3 months of experience. By international standards, this difference in salaries is quite small.

The total size of the civil service in Myanmar is about 900,000 employees.⁴³ For a population of 52 million, this is not large by international standards, particularly given the expansive definition of “civil servant” in Myanmar, which includes many staff who would not be considered government employees elsewhere. The Ministry of Education is the largest ministry, with a staff, primarily teachers, of 336,600 (38 percent of the civil service). The Ministry of Home Affairs is the second-largest ministry, with a staff of 95,980 (11 percent), including general administration staff. The three ministries that comprise agriculture, forestry, and fisheries have a staff of 107,980 (12 percent), but these are primarily state enterprise employees and fieldworkers. The Ministry of Health has a staff of 58,110 (seven percent), who are primarily health workers. These four sectors comprise nearly 70 percent of the civil service.

Women make up 51 percent of the civil service.⁴⁴ The proportion of women in senior positions, at 32.5 percent, is not as high, but it represents a strong foundation for building a merit-based approach to recruitment and promotion. Women are well represented at senior levels in economic policy portfolios such as the Ministry of National Planning and Economic Development (48 percent) and social policy portfolios such as education (69.7 percent) and health (49.2 percent), but poorly represented in security-oriented portfolios such as home affairs (1.2 percent). The Ministry of Home Affairs’ General Administration Department is responsible for the appointment of administrators to the country’s 330 townships, and currently all 330 township administrators are men.⁴⁵ The government does not yet publish information on race and religion in the civil service.⁴⁶

2.5: Reforming the Public Sector

After decades of military rule in Myanmar, there is clearly a need for reform. A number of social and economic indicators can be drawn from reports issued by the United Nations⁴⁷ and the World Bank.⁴⁸ If improving living standards is one of the main expectations that people have of government today, then the record of the public sector in Myanmar is mixed. Although per capita income in Myanmar is comparable to many of its neighbors, the country ranks lower than its neighbors on the United Nations Human Development Index.

Measuring Government Performance using Outcome Indicators

Indicator	Myanmar	Neighboring Countries	
Income Gross national income per capita (US\$ purchasing power parity)	3,998	Thailand	13,364
		Vietnam	4,892
		Lao PDR	4,351
		Cambodia	2,805
		Bangladesh	2,713
Human development Human Development Index (Ranking out of 187 countries)	150	Thailand	89
		Vietnam	121
		Lao PDR	136
		Cambodia	139
		Bangladesh	142

Source: IMF Article IV 2014

⁴³ MNPED Project Appraisal and Performance Review Department. The staff numbers refer to government employees engaged under the Civil Service Personnel Act.

⁴⁴ Government of Myanmar 2010.

⁴⁵ Chit Saw, Kyi Pyar, and Matthew Arnold (2014), *Administering the State in Myanmar: An Overview of the General Administration Department* (Yangon: The Asia Foundation and Myanmar Development Research Institute – Centre for Economic and Social Development), p. 17.

⁴⁶ It is therefore difficult to assess its commitment to achieving a merit-based civil service, free from discrimination. However, many people, and especially those among ethnic minority populations, believe that the civil service is disproportionately staffed by ethnic Bamar Buddhists.

⁴⁷ United Nations Development Programme (2014), *2014 Human Development Report – Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience* (New York: United Nations).

⁴⁸ World Bank (2014), *Myanmar: Ending Poverty and Boosting Prosperity in a Time of Transition* (Washington, DC: World Bank).

In addition to outcome indicators, development economists often focus on process indicators. These try to measure how governments achieve things instead of just looking at what they achieve. The World Bank has created a global database of governance indicators for all the countries in the world.⁴⁹ Myanmar generally performs poorly compared to other countries in Southeast Asia and the rest of the world. Regarding the rule of law, Myanmar has one of the lowest scores possible. Recent reforms have, however, lifted Myanmar's scores in some areas, including media freedom.

While the public sector indicators presented above rank Myanmar below other countries in the region, the country's dramatic change in direction since 2011 demonstrates its potential to overtake other countries' public-sector reform efforts. The government has also begun cutting red tape by streamlining business processes.⁵⁰ A number of other reforms have been made, including improving cabinet processes, the civil service training curricula, and the aid coordination mechanism. A new public financial management strategy has been developed, and new or updated public-sector-related laws came into effect – from the Civil Service Personnel Act to the Anti-Corruption Act.

The 2008 Constitution makes the executive formally accountable to Parliament, and therefore provides an opportunity to transform the public sector if its provisions are properly implemented. The Constitution also established a federal form of government that shares power between the Union government and new state and region governments, and contains provisions to respond to one of the key causes of conflict in Myanmar, the central government's dominance in making decisions and controlling resources. Article 18 describes the state as “the ultimate owner of all natural resources above and below the ground, above and beneath the waters, and in the atmosphere, and also of all the lands,” and grants authority to the state to “develop, extract, exploit, and utilize natural resources.”⁵¹ With much of Myanmar's abundant natural resources located in the country's

periphery, ethnic armed groups and Union government actors have historically competed for ownership, revenue, and control of these resources, leading to protracted conflicts that will require a political settlement that includes this issue.

2.6: Options for Reform

A principal challenge for the government of Myanmar is to decide on the sequence of reforms: which reforms need to start now, and which reforms can wait until later. Myanmar's Framework for Economic and Social Reform proposes that macroeconomic reforms and the management of public finances be the government's first priority. The Ministry of Finance is implementing a strategy to improve the management of public finances, and is working closely with the International Monetary Fund and the World Bank on issues such as tax administration.

A second priority for reform is strengthening the “center of government.” The Office of the President plays a key role here, because it leads policy coordination, formulation, and communication, and addresses problems as they come up during the course of reform. To ensure that reforms are carried out effectively, the president has tasked deputy ministers to head up “delivery units” that consult throughout the country on the progress of reforms. In this regard, new cabinet committees (some including non-government stakeholders) have been set up to coordinate policy reforms in key areas such as the economy, land, and the civil service. While these initiatives have had mixed results, and public consultation is a new practice for the government, it is important to recognize the effort being made to engage the public in formulating new policies and in carrying out reforms.

A third priority on which public sector management specialists agree is helping countries to overcome internal divisions, as unresolved conflicts can set a country's social and economic development back many

⁴⁹ World Bank global database of governance indicators. www.agidata.org.

⁵⁰ For example, in 2014 the government cut the time it took to issue passports from 21 to 10 days; it cut the passport fee in half, from around US \$50 to US \$25; and it opened 15 additional passport offices in the states and regions so that people no longer have to travel to Yangon or Mandalay, previously the only two passport offices.

⁵¹ Constitution of the Republic of the Union of Myanmar (2008)

years. One of the boldest reforms in this area has been the establishment of new state and region governments that give some expression to the political demands of the public, and especially those of ethnic minorities. The next step in this process will be to see important responsibilities transferred from the Union to the state and region capitals. The decision of President U Thein Sein to establish township committees to inform development planning is consistent with a more democratic approach to public administration. This has the potential to help decentralize government, as well as to give the public a voice in local administration, the level that has the greatest impact on them.

Reforms of state economic enterprises would be a major change from the previous authoritarian regime, but such reforms are still nascent. The privileges of the military-owned holding companies are being reduced in some sectors, and they are now increasingly expected to operate like other businesses.

THREE: POLICY CONSIDERATIONS

The following is a list of suggested reform initiatives in key results areas. Policy considerations have been formulated through extensive consultations with international experts on how best to prioritize and sequence reforms to complement efforts of national reconciliation and conflict resolution.

Strengthening the center of government: As good leadership is necessary for reforms to succeed, strengthening the policy capability of the civil service by establishing reform policy units in the Office of the President would provide policy support where it is needed most. Moreover, an expansion of public communications by the Office of the President would provide the public with better information on the progress of reforms.

Advancing public finance reform: The government can achieve quick wins by managing public finances better, redirecting money to where it is most needed, and improving tax collection. The budget process should be improved so that Parliament and the public have access to information and can contribute to government decision-making on public revenue and expenditure. In

addition, strengthening the Ministry of Finance's role to provide line ministries with policy direction on budgets would be advisable.

Promoting a professional civil service: A modern, professional, and inclusive civil service that reflects the ethnic and religious diversity of the country is an important step towards restoring public trust in government. Civil service positions should be opened to all Myanmar citizens by improving merit-based recruitment and promotion practices. Ensure that civil service training reflects the new democratic values of the Constitution and promotes the rule of law, and review civil service salaries and grade structures.

Consolidating state and region government: Establishing effective state and region governments is an important contribution towards effective and responsive governance. Establish a taskforce in the Office of the President to fast-track policy on Union, state, and region government responsibilities in a sector such as education, and prepare draft amendments to Schedules One and Two for Parliament's constitutional committee to consider.

Improving service delivery: The government needs to demonstrate that the reforms translate into better public services in sectors like health, education, water and sanitation, irrigation, and roads. Introduce a public complaints mechanism that citizens can access at the level of the township administration. Establish basic performance information systems so that the cabinet can track progress in service delivery.

Supporting clean government: Overcoming widespread corruption can help restore public trust in government and improve service delivery. Improve tax administration practices to cut corruption and end widespread tax evasion. Reduce waste by ensuring government ministries follow competitive procurement practices.

Reforming state economic enterprises: State economic enterprises make a significant contribution to Myanmar's economic and social development. Improve corporate governance practices for state economic enterprises, including those in the oil and gas sector as well as military-controlled holding companies, to make them more effective and accountable.

FOUR: KEY QUESTIONS AND FURTHER READING

Discussion Questions

- Considering Myanmar's checkered history with different forms of public administration, what are the lessons that can be learned from its past? Which elements of the public sector have historically functioned well, and which not as well?
- Once the new government takes office in March 2016, which sectoral areas or processes should it prioritize for reform of the public sector?
- How can it be ensured that the reform process is coordinated or synchronized with the ongoing ethnic peace process? How can the government ensure that the voices of ethnic minorities are considered in the reform of the Bamar-dominated public sector?
- Which international examples of decentralization experiences might be suitable for Myanmar going forward?
- In what ways, and at what pace, should further reforms to decentralize the system take place?

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