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# MUNICIPAL GOVERNANCE IN MYANMAR: AN OVERVIEW OF DEVELOPMENT AFFAIRS ORGANIZATIONS

MATTHEW ARNOLD, YE THU AUNG, SUSANNE KEMPEL AND KYI PYAR CHIT SAW

Policy Dialogue Brief Series No. 7

ရန်ကုန်  
Yangon

နေပြည်တော်  
Naypyitaw

မန္တလေး  
Mandalay

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Myauk-U

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Dawei



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## ONE: INTRODUCTION

Since 2011, the government of Myanmar has been undertaking an ambitious reform program that has reconfigured local governance institutions across the country. Despite these efforts, Union-level authorities remain firmly in control of most government appointments and governance processes in what is a highly centralized system. The Ministry of Home Affairs' General Administration Department (GAD) is paramount within this system. This means that while Myanmar has two tiers of government, i.e., the Union and state/region levels, there is effectively no third tier of government, namely "local government," that has distinct responsibilities and revenue sources, and discretion over managing those.

Municipal governance is a key exception to the current structure, as these agencies are the only fully decentralized bodies in the country. They are unique, as they raise all revenue from their own township and have significant discretion over how they use these funds, provide a significant range of social services,<sup>1</sup> and are responsible for overseeing local economic governance as part of a broad remit of local governance processes. Each township now has a development affairs organization, or DAO, (*si-bin tha-ya-ye apwe* in the Myanmar language) to carry out municipal functions for its constituents.

Township DAOs comprise two complementary entities: a township development affairs committee (TDAC) and a township DAO office. DAOs are the only local government actors with oversight by a dedicated local committee, the TDAC, that has decision-making power and a majority of its members elected by local communities.

In 2011, in accordance with Schedule Two of the 2008 Constitution, the only government agencies to come

under the full control of the new state and region governments were DAOs. No longer part of a Union ministry, DAOs now focus only on urban governance, and subsequently, each state and region parliament (*hluttaw*) has enacted development affairs laws to define municipal governance for their respective areas. The 14 state and region development affairs laws that have been passed since late 2012 are all based on the 1993 Development Committees Law, and are therefore largely similar.

As direct service providers, DAOs are on the front line of the government-citizen interface and are uniquely positioned with the potential to transform this fractured relationship. Moreover, as Myanmar's population becomes more urban as the country's economy shifts away from a largely agrarian base,<sup>2</sup> the importance of establishing well-functioning DAOs is clear. The origins and history of DAOs, their current legal mandate, their functions, structures, and processes, and their challenges are the subject of this briefing. The municipal governance of Yangon City, Mandalay City, and the Union Territory of Nay Pyi Taw is not covered in this report, because unique provisions for the Yangon City Development Committee (YCDC), the Mandalay City Development Committee (MCDC), and the Nay Pyi Taw Council allow them their own distinct city administrations.

### 1.1: History and Evolution

Today's DAOs date to the British colonial era and have experienced several iterations since independence. Despite the many contortions of this evolution, the basic functions of DAOs have been remarkably consistent with their origins in the 1898 Municipal Law.

The legal framework for municipal administration in Myanmar can be traced to the Burma Municipal Act of 1874. These laws were updated under the Burma

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<sup>1</sup> Services range from urban water, sewage, garbage collection, roads, and bridges to street lighting and drainage, and they also oversee local economic governance through issuing licenses and permits to local businesses, collecting taxes and fees, and holding auctions to operate local ferries and toll roads.

<sup>2</sup> According to the 2014 national census, 29.6 percent of Myanmar's population of approximately 50.2 million is resident in urban areas. Moreover, while Myanmar's general population is growing at 0.9 percent, the rate of urbanization is estimated at roughly 2.8 percent. World Bank (2015), *East Asia's Changing Urban Landscape: Measuring a Decade of Spatial Growth* (Washington DC: World Bank), p. 106.

Municipal Act of 1884 and the Upper Burma Municipal Law of 1884. In 1898, a new municipal law was enacted for the whole of Myanmar and conferred power to tax and provide a range of municipal services.<sup>3</sup>

Myanmar gained independence in 1948. In 1949, the first election for the Yangon Municipal Committee was held; other cities' municipal committee elections followed in 1951. In 1953, the Democracy Local Administration Act was enacted with the goal of replacing colonial-era administration with greater public participation. When the Burmese military, the *Tatmadaw*, took power in 1962, the 1953 Democracy Local Governance Act was repealed. However, the 1898 Municipal Act and the 1921 Myanmar Rural Self-Government Act were maintained as the primary guides for both urban and rural administration.<sup>4</sup> Municipal committees continued to be the administrative offices for urban areas, while district councils were implemented in rural areas.

In 1972, the Revolutionary Council government restructured the ministries, placing municipal committees and district councils under the purview of the GAD as part of the Ministry of Home Affairs and Religious Affairs.<sup>5</sup> In 1974, local governance actors such as municipal committees and district councils were amalgamated into township development committees responsible for both urban governance and rural development.<sup>6</sup>

Following the 1988 military coup and the formation of the State Law and Order Restoration Council (SLORC)

government,<sup>7</sup> additional changes were made to local administration via the 1993 Development Committees Law. Among other issues, this 1993 law clearly established that the development committees reported to the Ministry of Home Affairs and its respective officials. However, in January 1994, the development committees were moved out of the Ministry of Home Affairs General Administration Department and placed under the newly created Ministry of Border Affairs (MoBA).<sup>8</sup> In this manner, the agencies that originated as municipal committees and district councils, and then evolved into township development committees, were now housed in a new department, the Department of Development Affairs under the MoBA.

According to a 1997 amendment to the 1993 Development Committee Law, all of the GAD's administrative functions for development affairs were officially shifted to MoBA. From 1997 until the change in government in April 2011, the MoBA was responsible for both municipal governance and rural development through its Department of Development Affairs.<sup>9</sup>

The new Constitution in 2008 moved the Department of Development Affairs out of the MoBA and placed its subnational offices fully under the control of the new state and region governments created in April 2011. In accordance with Schedule Two of the 2008 Constitution, it was the only government entity placed under complete control of the state and region governments.<sup>10</sup>

No longer part of a Union ministry, the Department of Development Affairs became development affairs

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<sup>3</sup> Water, roads, sanitation, drainage and street lighting; administer licenses for land, markets, animal slaughtering, vehicles, boats, and jetties; supervise public works projects; and issue certificates for births, deaths, and marriages.

<sup>4</sup> Moreover, a number of additional colonial-era laws were continued: 1892 Government Management of Private Estates Act, 1899 Government Buildings Act, 1946 Buildings (Regulation of Construction and Repair) Act, 1898 Ferries Act, 1947 Cattle Slaughter Prohibition Act, 1879 Hackney Carriage Act, 1914 Local Authorities Loans Act, and the 1946 Local Authorities (Suspension) Act.

<sup>5</sup> In 1972, the Ministry of Local Democratic Governance and Local Organizations changed into the Ministry of Home Affairs and Religious Affairs. Accordingly, the Department of Local Democratic Governance Strengthening, which oversaw municipal committees and district councils and had been under the Ministry of Local Democratic Governance and Local Organizations, was also shifted to be under the GAD of the Ministry of Home Affairs and Religious Affairs.

<sup>6</sup> A presence at the district level ended, and district councils and the district commissioner's local funds were abolished. See the DRD webpage, <http://www.drdmyanmar.org/index.php?page=YWJvdXQ>.

<sup>7</sup> Later renamed the State Peace and Development Council (SPDC).

<sup>8</sup> The full name of this ministry at the time was the Ministry of Progress of Border Areas and National Races.

<sup>9</sup> Interview with a deputy director in Ayeyarwaddy Region.

<sup>10</sup> The official order moving staff from the Department of Development Affairs to state and region governments was issued on 31 March 2012.

organizations (DAOs) for each of the 14 new state and region governments and focused on urban governance. Each state and region parliament (*hluttaw*) subsequently enacted development affairs (municipal) laws for their respective areas. Within the state/region governments, DAOs are under the supervision of the state/region minister of development affairs – one of nine ministers forming the cabinet for each state and region government.<sup>11</sup>

### Municipal Structures in Yangon, Mandalay, and Nay Pyi Taw

Municipal affairs in **Yangon** and **Mandalay** cities are organized differently than the rest of the country and are managed by the Yangon City Development Committee (YCDC) and the Mandalay City Development Committee (MCDC). The YCDC and MCDC have delegated administrative functions under the authority of the Yangon Region and Mandalay Region governments. They are responsible for municipal service delivery and public works (waste management, water supply, roads and bridges, parks and sports grounds, street lighting, funeral services, firefighting, etc.), city planning, urban land administration, tax collection (including business licensing and registration), public health, and urban development. Both the YCDC and MCDC are now managed by committees, chaired by the ministers of the Yangon and Mandalay Region governments, that are partly elected by the public. These governing bodies are unique in that they allow for consolidated management of townships – 33 for Yangon and seven for Mandalay.

The Union Territory of **Nay Pyi Taw**, as the capital of Myanmar, is administered differently, as it is managed by the 10-member Nay Pyi Taw Council, of which nine members are selected by the president and one is appointed by the military. The GAD plays a key role and is responsible for general administration of the eight townships in the Union Territory.

## TWO: LEGAL MANDATE AND STRUCTURE

The legal basis for development affairs organizations is the State Law and Order Restoration Council's (SLORC) Law No. 5/93, namely, the 1993 Development Committees Law. According to the 2008 Constitution, Section 188, state and region *hluttaws* have the right to enact laws, for all or for any part of a state or region, related to matters listed in the Constitution's Schedule Two.

The most significant change in municipal governance stemming from the Constitution is the assignment of DAOs solely to state and region governments. Each state and region government has a minister of development affairs with a full mandate to run DAOs according to their state or region law. In this sense, DAOs are a nascent state/region civil service, as they are answerable only to their respective state/region government.

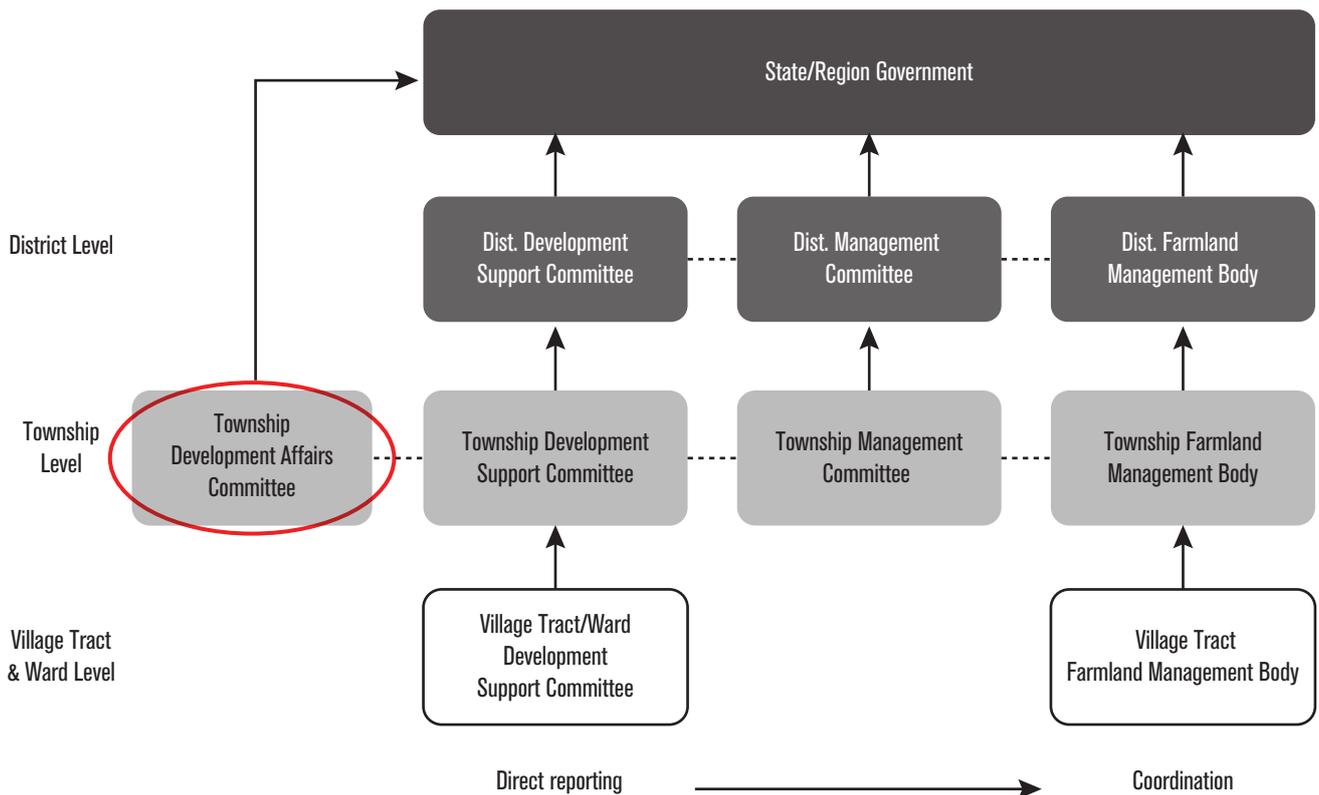
As there are no official plans for elections of local legislative bodies at the township or district level, the township and district GAD administrators take the lead in the various management and development committees, some of which include community representatives. The management committees and farmland management bodies have appointed, senior government officials leading them, while the development support committee and TDAC are chaired by persons indirectly elected from the community.

It is within this complex system of subnational committees, dominated by the GAD, that TDACs and their sister township DAO offices exist. The diagram below illustrates this structure.

### 2.1: Functions and Structures

Township DAOs are composed of two parts: a township DAO office, and a TDAC that oversees and supports it. For most states and regions, there is a state/region DAO

<sup>11</sup> Like all state/region ministers, the minister of development affairs is selected by the chief minister. Below this level of political leadership, a director-level civil servant is the senior leader for DAOs in each state and region, supervising the DAO offices in all of the respective state/region townships.



office, but no parallel state/region-level committee, and there is no DAO presence at the district level.

The functions of DAO offices and their professional civil servants are clearly defined in the 14 state/region development committee laws, and have changed little since reforms began. In contrast, local development affairs committees have evolved significantly since 2011.

### State/Region DAO Offices

State/region DAO offices play an important role in managing the DAO systems, and are unique subnational actors in that they have control over a system of government offices, independent from the Union, that provide a wide range of social services, manage local economic governance, and collect significant amounts of revenue. This independence from Nay Pyi Taw is also a major challenge for the DAOs, as they have been

forced to run their own basic finances, policy development, human resources, and procurement, since they no longer have a “mother ministry.”<sup>12</sup>

The key function of state/region DAO offices is to coordinate and supervise township DAO offices. The state/region level is led by a director, who is the senior DAO official in the system. There is some variation, but most state/region DAO offices are composed of three departments: 1) administration, 2) engineering, and 3) law, tax, and security. Several deputy directors assist in supervising a regional staff of 30 to 40 personnel. As the state/region offices’ purpose is to link their DAO systems with political priorities, they report to the state/region minister of development affairs.<sup>13</sup>

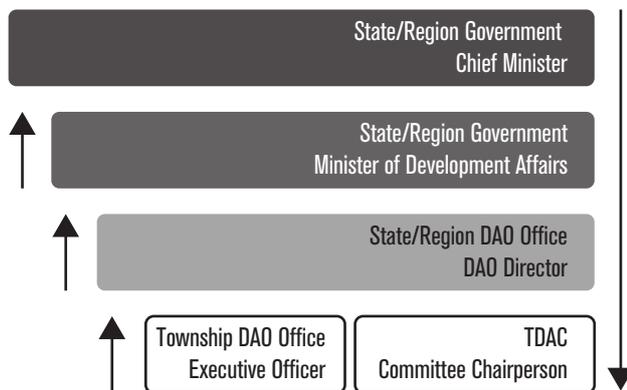
Central to the development affairs minister’s portfolio is setting the policy priorities of DAOs in consultation with the chief minister and the cabinet. The minister has the further role of ensuring a balance, given the

<sup>12</sup> This term, “mother ministry,” was mentioned repeatedly to signify the lack of a ministry in the capital able to provide basic support to field offices.

<sup>13</sup> For instance, the Shan State government has made a priority of improving water supplies, while in Ayeyarwaddy Region the priority is to construct cement roads and improve drainage.

resources available, between the needs of local communities and the longer-term policy goals of a state/region government. As mentioned, three states and regions (Mon, Yangon, and Shan) have state/region-level development affairs committees, and in these areas, the state/region DAO office also responds to this committee's guidance. These state/region development affairs committees include indirectly elected community representatives as well as senior government officials.<sup>14</sup> All other states/regions have offices only at the township level. A significant role of the state/region DAO offices, therefore, is channeling policy priorities of state/region governments and signing off on projects/budgets once they are submitted for approval.

Each state/region DAO system is fully self-funded. In some states/regions, the DAO office's mandate requires revenue sharing between larger and smaller townships.<sup>15</sup> A key tenet of DAO systems is that 90 to 95 percent of revenue must be spent in the township where it was raised. Below is a diagram illustrating the hierarchy of DAO systems.



## Township DAOs

All townships in the country have a township DAO office in their administrative center.<sup>16</sup> In addition, within some townships there may be a limited number of DAO offices in what were previously known as “sub-township” administrative centers but are now referred to as “towns.”<sup>17</sup> These are not full township DAO offices, and they do not have sister TDACs to complement their work.<sup>18</sup>

The jurisdiction of these DAO offices has narrowed since the 2011 formation of state and region governments, to just focus on the “urban” areas of townships, i.e., wards.<sup>19</sup> Therefore, township DAO offices, which used to cover an entire township, are now supposed to concentrate on urban areas, while township Department of Rural Development offices concentrate on rural areas, though DAO projects can still take place within limited parts of village tracts, especially those that border urban concentrations. DAOs can designate areas within village tracts as “development affairs areas,” where commercial activities are increasing and municipal services are needed. DAO staff must raise their own revenues primarily from the businesses concentrated in urban areas, so they prefer to be able to concentrate their scarce resources in those areas.<sup>20</sup>

Another significant structural aspect of DAOs at the township level is that a grading of townships is used to determine the size of the office.<sup>21</sup> The senior managers of each township DAO office can vary in civil service

<sup>14</sup> For instance, in Shan State, the committee's chairperson is the minister of development affairs, the DAO director is secretary, and there are also two vice chairpersons who are indirectly elected community representatives, “elders” from Kengtung and Lashio. There are three more community representatives from the social and economic sectors, plus another three community representatives with “technical backgrounds.” Lastly, there is a representative from DRD, and the DAO deputy directors from Kengtung and Lashio.

<sup>15</sup> In Shan State, 10 percent of revenue in a township with high DAO income is reallocated to smaller and medium-sized towns, while 90 percent is kept in the township where it was collected. Interview with DAO minister, Shan State.

<sup>16</sup> Barring Yangon, Mandalay, and Nay Pyi Taw.

<sup>17</sup> This change in terminology occurred in 2014, when the national Parliament asked government actors to stop using “sub-townships,” in order to be consistent with the 2008 Constitution. They are usually placed in areas that have a high urban concentration, or where the geographic features of a township disperse its population and it becomes useful to have another field office to serve a particular area. For example, in Shan State, there are 55 township DAO offices, plus 29 town DAO offices, for a total of 84 DAO offices across the state. This is exceptional, however, and most states and regions do not have so many town offices. For instance, in Ayeyarwaddy Region, there are 26 township offices and seven town offices.

<sup>18</sup> The total number of local DAO offices in the country is unknown, but an educated guess would be around 400 across the 14 states and regions.

<sup>19</sup> Under SLORC Law #5/93, development committees were responsible for both urban and rural areas. Following the changes in laws and structures, starting in 2011, this mandate was narrowed for DAOs, trimmed as they were from the DRD.

<sup>20</sup> Interviews with TDAC public members and a DAO executive officer in Ayeyarwaddy Region.

rank, depending on the grade of the township.<sup>22</sup> Given this system, structures of township DAO offices can vary accordingly. All township DAO offices are led by an executive officer, who, in turn, is supported by a deputy who is an executive engineer. All township DAO offices will have at least two departments (administration and engineering), though larger township DAO offices may have up to five departments.<sup>23</sup> Having just two departments is common, and under them tend to be relevant sub-departments.<sup>24</sup> DAOs have unprecedented control over the hiring, firing, transfer, and promotion of staff, but to date, almost no DAO staff have received trainings from international organizations and experts. Despite being within their legal mandate, no DAOs have dedicated urban planning units.

## 2.2: Service Provision

DAOs are one of the largest, though least understood, social service providers in Myanmar. They deliver a significant range of services (as part of their 31 core duties and responsibilities listed below), which are directly funded through local taxes and fees, among the other revenues that DAOs collect. In contrast to other major social service providers in the country, such as the Ministry of Education and the Ministry of Health, DAOs have a diverse mandate to provide services ranging from water, sewage, and trash collection to street lighting, roads and bridges, and drainage.

Key Social Service Duties and Functions
<ul style="list-style-type: none"> <li>▪ Town planning</li> <li>▪ Water supply</li> <li>▪ Sanitation</li> <li>▪ Sewage disposal</li> <li>▪ Disaster preparedness</li> <li>▪ Street lighting</li> <li>▪ Roads and bridges</li> <li>▪ Vagrant persons on streets</li> <li>▪ Animal control</li> <li>▪ Parks, swimming pools, public baths, and recreation centers</li> <li>▪ Road rules, street naming, and addresses</li> <li>▪ Cemeteries and crematoriums</li> <li>▪ Removal of cemeteries</li> <li>▪ Public buildings under the charge of DAOs</li> <li>▪ Demolition of squatter buildings</li> <li>▪ Construction permission for private buildings</li> <li>▪ Other development works in the public interest</li> <li>▪ Other duties as needed</li> </ul>

All township DAO offices will have at least two departments (administration and engineering), though larger township DAO offices may have up to five departments.<sup>25</sup> Under the administration department, areas of responsibility include sanitation, markets and slaughterhouses, revenue, administration, and compliance/discipline; while under the engineering department, water, electricity, roads and bridges, parks and recreation, and machinery are responsibilities.

<sup>21</sup> The grading goes from A to E, with A being the largest. Some states and regions also have a “special” grade for their largest cities, usually their capitals. Given the DAO’s grading of townships, township DAO offices can vary significantly in staffing, from 10 or fewer staff to upwards of 100.

<sup>22</sup> This can range from a staff officer for a small, primarily rural township of E grade, all the way up to a deputy director for a large, A-grade township, such as a state/region capital city like Patheingyi or Dawei.

<sup>23</sup> These can vary, but are commonly seen departments such as administration, sanitation, tax, markets, and engineering. Interview with DAO Director in Tanintharyi Region at Asia Foundation/VNG International workshop.

<sup>24</sup> For administration: sanitation, markets and slaughterhouses, revenue, administration, compliance/discipline. For engineering: water, electricity, roads and bridges, parks and recreation, machinery.

<sup>25</sup> These can vary, but include commonly seen departments such as administration, sanitation, tax, markets, and engineering. Interview with DAO Director in Tanintharyi Region at Asia Foundation/VNG International workshop.

## 2.3: Local Economic Governance

As is the norm for all types of local governance, the GAD plays a particularly strong role in local economic governance, undertaking excise management and fee and tax collection, as well as provision of the recommendations necessary for a range of licenses and permits, including land transfers, construction permits, and operating licenses.<sup>26</sup> DAOs also play a critically important role in providing the licenses, permits, and other approvals required for the basic functioning of local businesses, and especially micro, small and medium-sized enterprises (MSMEs).

- Licenses: Under their core duties, township DAO offices provide business licenses, including for market vendors and roadside stalls, butchers, hotels, and restaurants.<sup>27</sup>
- Construction permits: Issuing commercial and residential projects in urban areas.
- Inspections: Conducting routine inspections of businesses.
- Slaughterhouses: Conducting public auctions for operating licenses and supervising the sale of meat.
- Ferries: Administration of small ferries across rivers and lakes in urban areas.
- Markets: Manage local markets. Some of these markets are owned by DAOs, where they provide full supervision and maintenance.

In addition to the technical requirements for economic governance, DAOs provide more general services to

businesses. Businesses have wide-ranging infrastructure requirements, and can petition DAOs to construct roads and bridges and improve drainage where needed. Other services to business duplicate those provided to the wider urban population – trash collection, street lighting, and water, for instance.<sup>28</sup> Lastly, it is important to note that for both social service provision and local economic governance, township DAOs are permitted to impose fines and penalties when service users do not pay their fees.

### **Revenue Collection and Budgets**

There are three main revenue streams for DAOs:

1) **User fees** charged to households and businesses for services

Building and land fees, street lighting fees, garbage collection fees, water supply fees, “wheel tax,” additional fees such as charges for billboard use.

2) **Regular license fees** for businesses. Mainstay of DAO revenue generation, as almost all businesses require a license from DAO. These include roadside stalls, bakeries and restaurants, small loan businesses, lodging houses, and a vast array of “dangerous trade” businesses.<sup>29</sup>

3) **Tender license fees** for certain businesses, primarily in relation to public auctions

Public auctions are also used for slaughterhouses, ferries, pawnshops, and managing jetties (i.e., piers for large ships to dock). The bylaws for these auctions can vary significantly. In most places, tender license fees are the biggest sources of DAO revenue;<sup>30</sup> the rates are set via bylaws at the township.

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<sup>26</sup> Ward and village tract administrators are the lowest level of the GAD’s hierarchy, and their engagement with businesses is limited to providing recommendation letters for certain licenses and permissions.

<sup>27</sup> To obtain a DAO license, businesses provide a completed application form, a fee, an ID card copy, a household list, and a ward administrator’s recommendation to the DAO. It is not always necessary to visit the township DAO office to obtain a license, as the required paperwork and fee collection can be done by DAO field staff. Licenses are renewed annually; again, often by DAO field staff making visits to businesses.

<sup>28</sup> For assorted reasons, the quality of these services is sometimes rather poor, but does not seem to be a significant obstacle to business performance – instead, it is more of nuisance. Bissinger and Maung Maung (2014), *Subnational Governments and Business in Myanmar*, p. 27.

<sup>29</sup> Usually either food or hardware related.

<sup>30</sup> For example, in Myaungmya Township of Ayeyarwaddy Region, a fairly typical township, slaughterhouse revenue is 60 percent of total revenue, while in Myeik Township of Tanintharyi Region it is 50 percent of total revenue.

## DAO Expenditures and Budgeting

DAO revenue is spent on staff and public works, in the form of *capital* and *ordinary* expenditures. Capital expenditures include construction of new things, such as roads and bridges. Ordinary expenditures cover ongoing costs, primarily maintenance of local infrastructure such as city parks, streetlights, and roads and bridges. Priorities are defined locally. While expenditures are officially approved by state/region governments, in practice local DAO authorities have significant autonomy.

DAO budgeting follows the national process, with two budgets per year: an original budget plan (base estimate – BE) for targets and a revised, actual budget (revised estimate – RE). Township DAO offices prepare their BE in August, based on revenue estimates and capital and recurrent costs. After township DAOs prepare a BE they submit it to their state/region budget department, and it is then submitted to the Union government.<sup>31</sup> The RE is submitted halfway through the year to account for actual developments.<sup>32</sup> After an RE is approved, it cannot be changed. State/region governments' budget departments keep track of township DAO accounts, and any surplus must be returned.

## Township Development Affairs Committees

The TDAC provides the first opportunity in decades for some level of public representation and oversight on a township-level government body. The general purpose of TDACs is twofold: to reflect public priorities, and to ensure successful project implementation. In collaboration with township DAO offices, TDACs work to set priorities for annual planning and budgeting of township DAO funds.

Principal responsibilities spread between TDACs and Township DAOs:

1. The township DAO office is responsible for day-to-day management of municipal affairs.
2. The TDAC is responsible for setting priorities, coordination between government actors and communities, deciding on local development projects, and conducting public outreach.<sup>33</sup>
3. Decision-making within the TDAC tends to be consensus based, with the township DAO office's executive officer playing a central role.<sup>34</sup>
4. TDACs should meet regularly, preferably at least once a week, to ensure there is strong coordination between this body and the implementing agency of the township DAO office.
5. TDACs meet and coordinate with the three other township-level committees, particularly in relation to prioritization of local development funds allocated directly to the township.

TDACs have seven members: four representing the community and three representing government. Of the four public members, two have a background as township elders (*myo mi myo pa*), one is a representative from the business sector, and one is from the social or civil society sector. The government representatives are the township DAO office's executive officer, the deputy township administrator from the GAD, and the deputy township officer from the DRD. TDAC terms are generally five years and tend to coincide with state/region and national elections.<sup>35</sup> The community

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<sup>31</sup> Note that the state/region *bluttaws* do not approve the budgets for individual townships. The state/region *bluttaws* are responsible for approving the overall budget submissions to the Union government, a part of which will be the DAO budget.

<sup>32</sup> The RE should be no more than 10 percent higher than the BE. Interview with TDAC members and an executive officer in Ayeyarwaddy Region.

<sup>33</sup> In some locations, TDAC members also collect data on needs from the wards, propose priority projects, inform the public about the municipal law, and deal with complaints.

<sup>34</sup> Multiple interviews with TDAC chairpersons in Mon State, the minister of development affairs in Tanintharyi Region, township DAO office staff in Tanintharyi Region, and the DAO director in Ayeyarwaddy Region.

<sup>35</sup> The exceptions to this are a four-year term in Tanintharyi Region and a two-year term in Rakhine State. However, as most TDACs were established only in 2013 (following the passing of the respective state/region municipal laws starting in late 2012) this first term will be shorter than five years in most states/regions, and will expire in early 2016.

representatives on the TDAC do not receive a salary or honorarium.<sup>36</sup> Although precise figures for the country are unknown, few members are women.<sup>37</sup> TDAC members are not allowed to also be members of political parties, and there are age restrictions.<sup>38</sup>

The election process for the four public members of the TDACs varies. However, all state/region laws state that a person elected as an “elder” representative should be the TDAC’s chairperson, and that the township DAO office’s executive officer should be the committee’s secretary. In general, it appears that candidates do not engage in extensive election campaigns. So far, the general public’s interest in TDACs appears to be low.<sup>39</sup> In contrast to the other major township-level committees that have community representation – the township development support committees and the farmland management bodies – only TDACs seem to play more than an advisory role.

#### **2.4: Strengths and Weaknesses of TDACs**

The main advantage of having a TDAC with members of the public is that public outreach has improved, and with it, the local community’s relationships with the township DAO office. Another perceived improvement is that township DAO offices are more transparent, as they have to report the budget to the TDAC. The TDAC approves expenditures and monitors the quality of the projects.

A significant challenge exists regarding the level of authority the TDACs should exercise over township DAO offices, and how to enforce decisions not

supported by the DAO. This is compounded by the lack of legal clarity about how to resolve such disagreements. It is particularly challenging when long-term municipal officers, who feel they are the technical experts, disagree with TDAC public members advocating for the community. No Union-level actors provide oversight, coordination, or guidance to DAOs, though they do have routine contact with Union ministries regarding local social services and development projects. The lack of a coordination body for DAOs at the Union level is problematic, as their specific interests and concerns are not represented at the highest level of government. Coordination between states/regions and between the state/region and township levels varies significantly. As a result, measures to ensure consistency of DAOs across the country are limited.

The main Union departments that engage with DAOs are the Ministry of Electricity, the General Administration Department, the Department of Rural Development, the Ministry of Construction, the Ministry of Health, and the Police Department.

#### **2.5: Coordination at the Township Level**

TDACs engage closely with the township management committee and the township development support committee, but much less with the township land management body; in most locations they hold weekly or bi-monthly coordination meetings, primarily to allocate local development funds.<sup>40</sup> In the coordination meetings between the different township-level committees, the members discuss and approve projects for small-scale infrastructure projects submitted by ward

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<sup>36</sup> Interview with minister of development affairs in Tanintharyi Region; multiple interviews in Ayeyarwaddy Region.

<sup>37</sup> For example, in all of Shan State, only three women were public committee members of the state’s 86 committees. Interview with DAO deputy director in Shan State.

<sup>38</sup> That TDAC members are not allowed to have an explicit political party affiliation does not mean that party politics does not play a role in the functioning of TDACs. With the state/region level of governance having elected MPs, there are inherently increasing political dynamics locally, and many of these manifest themselves in the township level committees, including TDACs. This topic was beyond the scope of this report, but is worth further research.

<sup>39</sup> Several compounding issues are likely shaping the public’s interests in TDACs. Firstly, and foremost, it may simply be a lack of awareness, given that TDACs are relatively new institutions in their current form. Secondly, the Myanmar public tends to assume that old military regime practices are still in place, with TDAC members appearing to be hand picked from among those that government officials know. This means that new local governance structures are still being interpreted within old contexts.

<sup>40</sup> TDACs also have limited engagement with the township planning and implementation committee (TPIC), which was set up before the four other committees were established to coordinate planning. While the four committees have taken over most local coordination functions, TDACs and Union ministry departments continue to submit annual plans to TPICs that in turn submit them to higher authorities for use in annual budget allocations by the Union Parliament. Interviews with township planning department staff in Mon State, DAO director in Ayeyarwaddy Region, and TDAC members in Mon State.

and village tract administrators and ward/village development support committees. Occasionally, if DAOs cannot fully cover the cost of a given project themselves, they are able, through the committee meetings, to combine funds with other departments and/or their development funds.

In dealing with sub-township structures, the DAO works primarily with the ward or tract administrator. There are instances of strong collaboration, such as examples of “cost sharing” for road works. Such projects benefit from the synergies of communities realizing the benefit of the project and being more willing to cooperate/contribute. There is generally limited engagement between DAOs and local civil society organizations (CSOs), though CSOs have approached DAOs to request service improvements or local infrastructure. DAOs also do not generally have any formal involvement with politicians or political parties apart from the local state/region-level MPs.

### THREE: POLICY CONSIDERATIONS

DAOs face both operational and structural challenges, many related to a lack of human and financial resources and a difficult citizen-government relationship. Improvements to social services, revenue collection and management, and public engagement are all required.

As Myanmar’s new government takes office and the post-ceasefire political dialogue begins, consideration for how urban areas are serviced and governed will be key for both a successful peace deal and Myanmar’s continued economic development. This section examines several aspects of DAOs, and how they may be addressed by actors involved in reforming policy relevant to these bodies.

### ***Operational Challenges and Needs***

**Revenue collection and management:** Collection of revenue from a range of sources and effective management of service delivery are perhaps the largest operational challenges facing DAOs.<sup>41</sup>

***Social services:*** Improvement in urban water and sewage systems and garbage collection is much needed. For most townships, the largest priority for improvement is expanding local infrastructure – constructing or improving roads, bridges, and drainage.

***Public engagement:*** Improvements in this area are likely to result in greater satisfaction with the delivery of municipal services, which is a prerequisite for improving tax revenue.<sup>42</sup>

***Local economic governance:*** As businesses pay the largest percentage of taxes and fees collected by DAOs, business owners’ concerns on rates and transparency will need to be addressed.

***Enforcement capabilities:*** Although DAOs can impose fines and bring people to court if they do not comply, in reality, the courts are usually slow and ineffective. DAOs depend on the GAD or the police from the Ministry of Home Affairs for law enforcement.

***State/region DAO offices:*** Without a Union “mother ministry,” DAOs conduct their own policy development, human resources management, financial systems management, and procurement. Extensive capacity building is required for the state/region DAOs.

***Donor priorities:*** Rural areas receive substantial assistance from international donors, but targeting of wide-scale social services and economic assistance in urban areas is lacking.

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<sup>41</sup> The specific challenges include: a lack of compliance in paying taxes and fees, DAO budget surpluses having to be turned over to state/region governments, the impossibility of multi-year budgeting because projects have to be completed within one fiscal year, the struggle of medium- and smaller-sized towns to raise enough revenue, and the rudimentary state of DAO planning.

<sup>42</sup> It is also worth considering whether universal suffrage in electing TDACs would enhance the public’s interest in, and sense of ownership over, municipal affairs.

## **Structural Challenges and Needs**

**Improving local services:** As Myanmar's first experiment with relatively autonomous subnational bodies, DAOs will likely be in the spotlight for policymakers considering whether decentralization results in better social services and enhances government-citizen relations. Indeed, the alternative city administrations that have been established for Yangon, Mandalay, and Nay Pyi Taw may also be explored.

**Human resources systems:** Human resources policies need to be developed to ensure that state/region civil servants are well supported regarding transfers, promotions, and training.

**Capacities versus mandate:** The capacity of DAO staff needs to be thoroughly assessed to ensure that they have the knowledge and skills needed for their roles and responsibilities. The NLD's assumption of power in March 2016 is likely to significantly raise public expectations of government services – expectations that will only be met if capacities are enhanced to respond to needs.

**Urban planning:** If DAOs engage in urban planning, they will be better placed to both address immediate needs and carry out longer-term projects. Pressures on governance systems in urban areas are only likely to increase in the near term, and will put an increasing burden on DAOs and their capacity to deliver services.

**TDACs:** The introduction of community-driven TDACs has caused tensions with civil servants, who are not used to citizens having some authority over their work, but it has also had the effect of improving community relations as a result.

**Legal review:** The provisions in state and region municipal laws need to be reviewed in order to clarify the roles and intent of TDACs vis-à-vis township DAO offices and state/region DAO offices. Universal suffrage should be considered as well. Moreover, current development affairs laws should be reviewed to improve revenue collection and management.

**Municipal coordination:** Some degree of oversight through an active national body would benefit DAOs by providing enhanced coordination with other departments, strategic planning, and performance monitoring. The creation of a Myanmar municipal association or similar forum would be ideal to collectively communicate, share experiences, and lobby the Union government for support.

**Increasing demands from the private sector:** The business community's demands that government clarify procedures and cut red tape will increase. As actors who bear much of the burden of paying fees and taxes to DAOs, local businesses often feel that there is not enough transparency and accountability in how DAOs function and how they publicly declare official rates for taxes and fees.<sup>43</sup>

**DAOs as nascent state/region bureaucracies:** As state/region governments are developing their own municipal governance systems, DAOs are, in effect, nascent bureaucracies at this level of governance. At present, low compliance is due to limited enforcement and the unwillingness of local people to pay taxes, as they are not satisfied with the services delivered. However, if issues of revenue, compliance, and public participation can be overcome, the DAOs have an opportunity to establish themselves as service providers and bureaucratic bodies that can operate relatively independently of the Union-level government.

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<sup>43</sup> Bissinger and Maung Maung. 2014. *Subnational Governments and Business in Myanmar*, p. 24.

## FOUR: KEY QUESTIONS AND FURTHER READING

### Discussion Questions

- In what ways can integrated municipal management best be strengthened: through stronger cooperation between Union ministry departments and DAOs, through transferring further functions and authority to the DAOs, or through establishing new institutions with a comprehensive mandate over municipal affairs?
- Whether or not new or reconfigured institutions are established, it is worth considering in what ways public representation in municipal governance can be strengthened in line with the country's transition towards democracy. Should township municipal institutions remain under the purview of the state/region governments, as is currently the case; should they be fully under the authority of elected local township councils (based on the principle of universal suffrage); or would other configurations be desirable?
- Are there lessons learned from the structure and functioning of DAOs so that replicable systems in rural areas can be established?

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