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SUPPORTING THE TRANSITION: UNDERSTANDING AID TO MYANMAR SINCE 2011

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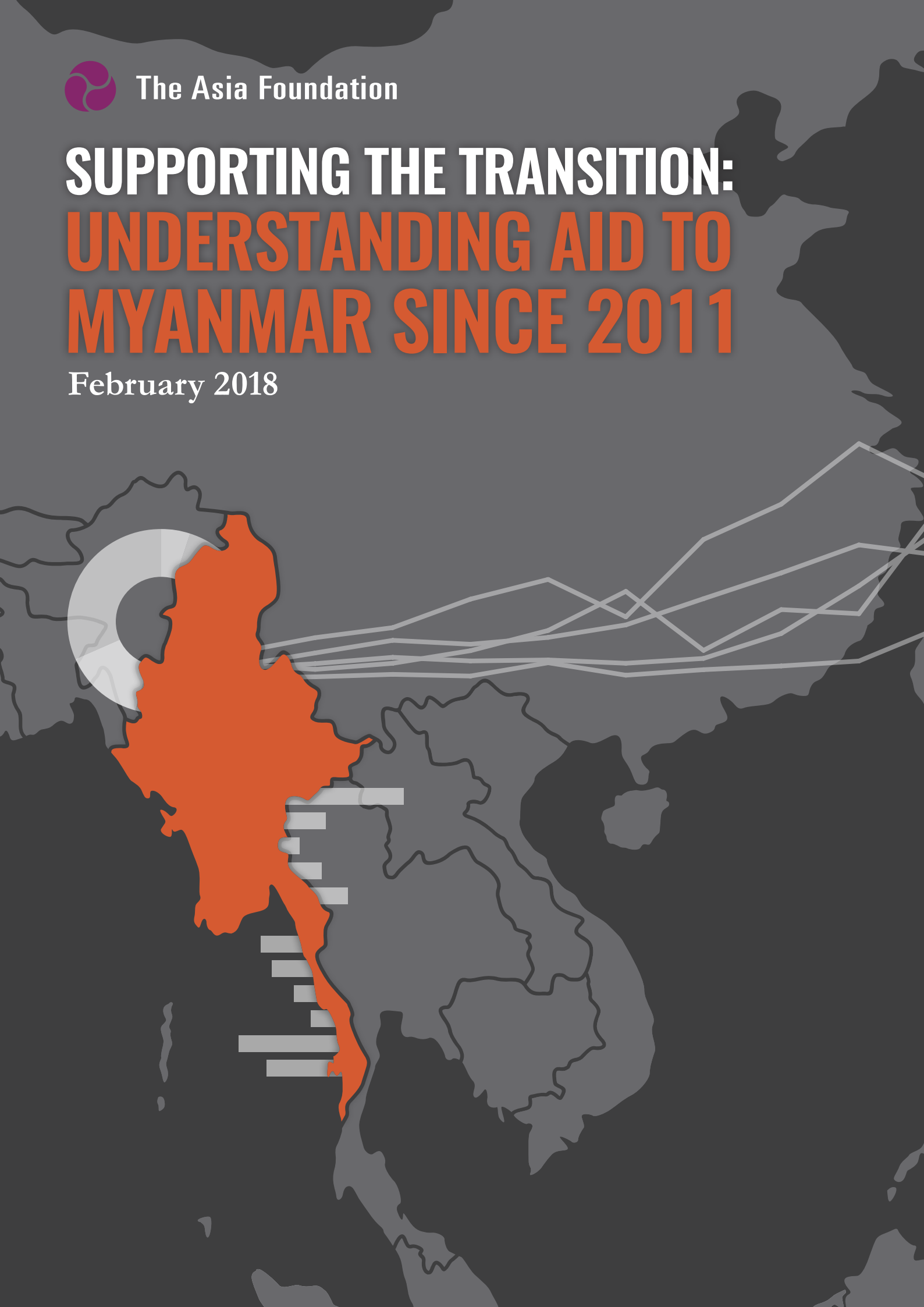

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UNDERSTANDING AID TO MYANMAR SINCE 2011

THOMAS CARR

FEBRUARY 2018

PREFACE

Six years into political and economic reforms, Myanmar has become a major recipient of international aid. The Thein Sein government actively sought out international support for its development and modernization agenda, and aid agencies responded with substantial aid commitments and debt forgiveness since 2011.

In this period of rapid economic and political transition, important measures have been taken to define strategic directions and develop the country's aid architecture. Considering the limited international cooperation in Myanmar before the transition, government and international development partners have done well in forging the current system – an accomplishment which has required significant efforts from both sides. However, there is still scope for improvement in partnerships and important policy questions which are yet to be tackled. As large commitments from donors remain unspent, there is great potential to improve the receptive capacity of national partners and ensure that funds and future aid commitments are best leveraged to benefit Myanmar people directly and improve lives.

The Asia Foundation is pleased to present this report, which describes the characteristics and constraints of aid in Myanmar. It provides a historical grounding on international development cooperation, an overview of current trends in aid provision, and analysis of particularly challenging policy areas. The report draws on interviews conducted between June 2016 and June 2017 and survey data which covers donor programs in Myanmar as of November 2016. The publication of this report is well timed considering the recent formation of Myanmar's Ministry of International Cooperation. We hope the report will support reflection on aid programming in Myanmar and encourage more dialogue and debate between both the government and its cooperation partners.

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CONTENTS

LISTS OF BOXES, MAPS, TABLES, AND FIGURES

BOXES

MAPS

TABLES

FIGURES

ACRONYMS

3DF	Three Diseases Fund
3MDG	Three Millennium Development Goals Fund
3W	Who, what, where
ADB	Asian Development Bank
AIMS	Aid Information Management System
ASEAN	Association of Southeast Asian Nations
CDD	Community-driven development
CPA	Country-programmable aid
CPG	Cooperation Partners Group
CRS	Creditor Reporting System
DAC	Development Assistance Committee
DACU	Development Assistance Coordination Unit
DFID	Department for International Development
FERD	Foreign Economic Relations Department
FESR	Framework for Economic and Social Reform
FDI	Foreign direct investment
FFD	Financing for Development
GAVI	Global Alliance on Vaccines and Immunization
GPEDC	Global Partnership for Effective Development Cooperation
IATI	International Aid Transparency Initiative
IDPS	International Dialogue on Peacebuilding and Statebuilding
IFC	International Finance Corporation
IFAD	International Fund for Agricultural Development
JICA	Japan International Cooperation Agency
JCB	Joint Coordinating Body for Peace Process Funding
JPF	Joint Peace Fund
LIFT	Livelihoods and Food Security Trust Fund
NCDDP	National Community Driven Development Project
NEDA	Neighboring Countries Economic Development Cooperation Agency
NLD	National League for Democracy
ODA	Official development assistance
OECD	Organisation for Economic Cooperation and Development
PSF	Paung Sie Facility
SDG	Sustainable Development Goal
SLORC	State Law and Order Council
SPDC	State Peace and Development Council
TICA	Thailand International Cooperation Agency
UN	United Nations
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Agency for International Development
USDP	Union Solidarity and Development Party

INTRODUCTION

Myanmar today is one of the world's largest recipients of international development assistance, often referred to simply as "aid." A history of underinvestment has left the country with the highest poverty rate in the region and critical deficits in infrastructure and social services, making it a priority for many development agencies. Myanmar was the seventh-largest recipient of international aid in 2015, and it is now the third-largest recipient per capita in the region—behind only Cambodia and Laos, which have far smaller populations. Expectations are for sustained, high engagement with the international community.

This reflects a significant change since the political and economic transition initiated by the Thein Sein government in 2011. Far from its current seventh, Myanmar was just the 79th-largest recipient of aid globally in 2010. Under the former military government, levels of assistance were both far lower and restricted primarily to health and humanitarian programs. Yet, since the start of the transition, Myanmar has actively courted international support for its reforms, and international aid agencies have responded with significant debt forgiveness and new programs. This has brought about a significant proliferation and diversification of funding agencies in Myanmar, which now also fund a broader range of activities, with many of the largest donors prioritizing energy, transportation, and rural development. The mode of delivery has also changed: most new funding has been distributed through the government and financed with loans.

Following the inauguration of the NLD government in March 2016, it is time to take stock of aid to Myanmar and reflect on how policy has evolved. Though the policies and programs governing this aid have developed significantly since 2011, much remains undetermined, with potential for significant positive reforms. Many large commitments from donors remain unprogrammed or unspent, and there are still important policy questions to be resolved in the country's new aid-management architecture. This leaves significant opportunities to improve practice and to better leverage aid to support the country's development aspirations.

The need for such reflection is particularly pressing because Myanmar presents a distinctly challenging environment for effective aid programming. Political and economic changes are occurring rapidly, creating competing priorities for international assistance. The country faces multiple distinct humanitarian crises—some from protracted conflict, others the result of periodic natural disasters—and an ongoing peace process. The country's complex security situation poses significant challenges, with many nonstate armed groups active across the country, and ongoing violence in Kachin State and northern Shan State. There are also challenges in coordinating the large and diverse array of funding agencies in the country. Providing meaningful assistance in this setting, while minimizing the risk of doing harm, is a stark challenge for aid actors.

In this context, it is also important to acknowledge the limited influence of aid, which is only a small component of overall development finance. The Myanmar government already raises considerable domestic revenue, and aid is small relative to the national budget—approximately 4 percent in 2015. In addition, remittances have approached levels similar to aid over the past several years, and since 2011 there has been almost twice as much foreign direct investment as aid. Trade has also expanded significantly since the country's political and economic transition began. In this environment, the task for aid policymakers is to identify the unique contribution that this funding can make—which often derives from its flexibility and ability to leverage global expertise—and to ensure it best complements the other factors driving development in the country.

To support reflection on aid programming, this report provides an introduction to aid in Myanmar, including historical grounding, some novel quantitative data on donors' current priorities, and analysis of several particularly vexing policy areas. Recognizing the unique challenges of delivering aid where there is limited experience of international development cooperation, the report places a special emphasis on clearly defining key terms and explaining the policy frameworks that have guided the international community's engagement with Myanmar. The first chapter focuses on the history of aid to Myanmar. The second, on the analysis of key trends in current assistance. The third chapter discusses several of the priority policy questions for development cooperation in Myanmar moving forward. An annex containing key definitions provides more detail on useful terminology.

Data collection for this report took place between June 2016 to July 2017. The report draws on interviews, secondary sources, and quantitative analysis, including an independent quantitative dataset on donors' programs in Myanmar in

November 2016. Over 40 interviews were conducted in Yangon between June 2016 and June 2017 to better understand donor priorities in Myanmar. For the quantitative data, a survey was conducted to establish a rigorous accounting of donor programs in Myanmar. Based on prior estimates of international assistance, a list of 25 target donors was created, of which 21 ultimately provided data. This was collected in alignment with the standards used for the Aid Information Management System in Myanmar. Further data on aid was drawn from the Organization for Economic Cooperation and Development's Creditor Reporting System Aid Activity Database, and the Myanmar Information Management Unit's *Who, What, Where* dataset.

Box 1: Defining "aid"

There is no standard definition of foreign aid used by all providers and recipients. This report uses the term "aid" in a broad sense, referring to financial, in-kind, or technical assistance provided by one country to another. Governments provide foreign aid for a range of reasons, including the desire to alleviate suffering caused by poverty or humanitarian crises and to increase influence or economic relations with the recipient nation.[1]

The Organisation for Economic Cooperation and Development (OECD) uses a standard measure of aid called official development assistance (ODA). ODA is defined as aid flows going to countries on the list of ODA recipients or to multilateral organizations that are

1. provided by official agencies;
2. administered with the promotion of economic development as its main objective; and
3. concessional in character, with a specific percentage of the funding being provided with no requirement of repayment.[2]

While this is still a broad definition, it does rule out some forms of cooperation between countries. ODA must come from an "official" source—a national government or multilateral development institution—and does not include private charitable donations made by individuals. It also excludes assistance for which development is only an incidental objective, like military assistance, export credits, and cultural exchanges. For a more complete explanation of ODA, see annex A.

A growing number of countries have significant aid programs that are either not reported against or not easily classified in terms of the OECD system. Brazil, Russia, India, China, and South Africa have all expanded their aid programs, and have formed a common development bank.[3] There are also significant aid programs from countries like Saudi Arabia, Kuwait, and the United Arab Emirates. For example, these three countries are major donors to the US$2.5 billion Lives and Livelihoods Fund, which is financed primarily by regional donors and supports livelihoods programs across the Middle East.[4] Other assistance is provided under the framework of South-South cooperation.[5] Improving mutual understanding between these different funding agencies is a high priority for improving development cooperation globally.

Chapter 1

A BRIEF HISTORY OF AID TO MYANMAR

Myanmar has a distinct history of development cooperation, due to its relative international isolation for the past several decades. There are clear legacies of this history today, including the presence of numerous activist groups based in Thailand, limited government experience liaising with development organizations, and limited donor understanding of the politics of development in many of Myanmar's states and regions. While much has changed since 2011, understanding this history remains essential for effective development cooperation today.

The sections below divide the history of aid to Myanmar into four postindependence eras. The first era, which runs from independence, in 1948, through 1988, saw the international community engage sporadically, uncertain how to respond to changes in government and refusal to repay loans. After 1988, the country entered a period of greater isolation, during which most aid providers closed their Myanmar programs, and support was restricted primarily to health and humanitarian channels. This changed in the third era, with the reforms of the Thein Sein government and subsequent large-scale reengagement by the international community. The fourth era began with the NLD government assuming power, though it remains to be seen how significantly the new government's changing aid policies will reshape development cooperation in the country.

1.1 Aid after independence

In the aftermath of World War II, the newly independent Myanmar received support from several foreign governments. The most significant was Japan, which in November 1954 signed a peace treaty with Myanmar that both normalized diplomatic relations and committed Japan to providing US$250 million in war reparations to Myanmar, paid out between 1955 and 1965.[6] Of this total, US$200 million was to be used for the purchase of Japanese goods and services for reconstruction purposes, while the remaining US$50 million was reserved for technical assistance and Myanmar-Japan joint ventures.[7] Other donors maintained small programs at this time, including technical assistance from Australia[8] and the United States.[9]

With the advent of the military regime in 1962, several foreign aid providers ceased working with the Myanmar government, though Japan remained. While the United States and Australia both closed their aid programs in 1962,[10] and relations with China became increasingly strained over the presence of the Kuomintang in northeastern Myanmar,[11] Japan expanded its support with a further US$140 million, paid out between 1965 and 1972, on the grounds that reparations to Myanmar were insufficient compared to those given to other Southeast Asian countries.[12] This period saw the launch of several significant projects, including the Baluchaung hydroelectric project in Kayah State, which provided around 40 percent of the total electricity supply in the country at the time, and the "four industrial projects," which funded assembly plants for the manufacture of light vehicles, heavy vehicles, agricultural machinery, and electrical items.[13] Aid from Japan continued to grow significantly in the 1980s. In 1987 Japanese aid made up 71.5 percent of all foreign aid received and constituted 20 percent of the country's national budget.[14]

Otherwise, engagement during the 1970s and 1980s was limited. The major development banks in the region, the World Bank and Asian Development Bank, were leading lenders, but they were forced to close their programs in the 1980s. Providing its first loan in 1956 for the modernization of railway and water transport, the World Bank ultimately implemented 35 projects before ceasing operations in Myanmar in 1987, when the government stopped making loan repayments.[15] The ADB started working in the country later, with Myanmar only becoming a member in 1973. Between 1973 and 1988, the ADB approved 32 loans, totaling US$531 million, and 38 technical assistance grants, worth US$11 million to the country.[16] In 1988, the ADB also withdrew from the country when the Myanmar government stopped making repayments.[17] Given these recurrent political challenges, development cooperation in Myanmar was already relatively fragmented before 1988, when political events forced a fundamental shift in how the international community engaged.

1.2 Aid under the SLORC/SPDC government, 1988-2011

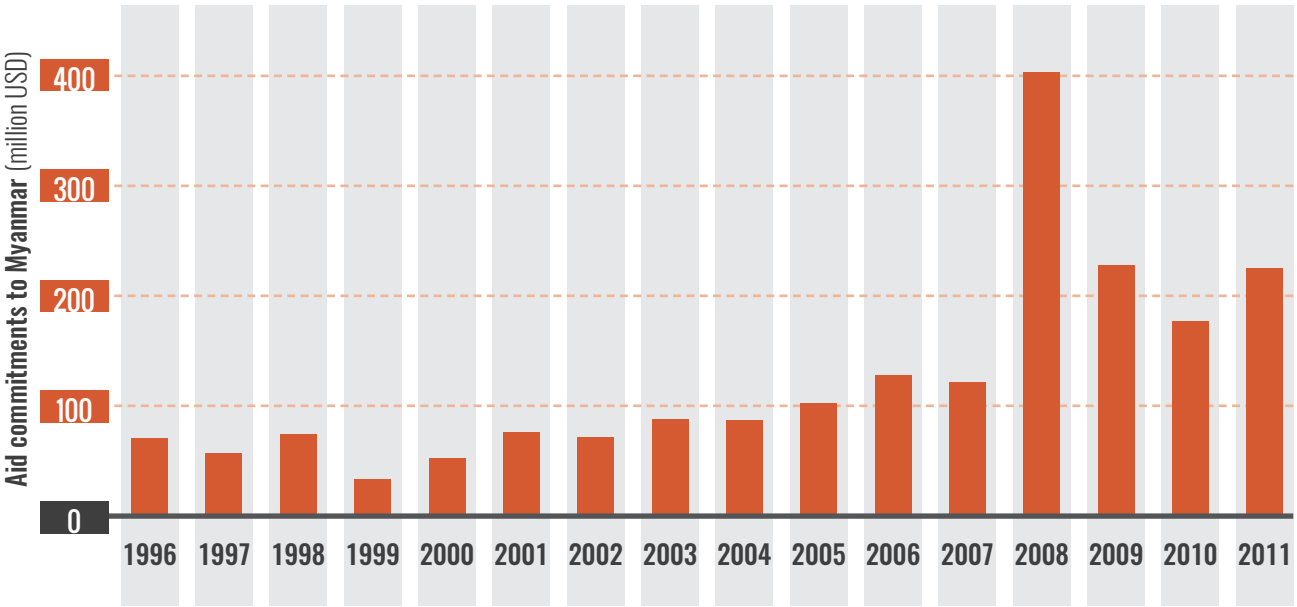
The violent suppression of political protests in 1988 prompted a dramatic realignment of Myanmar's foreign economic relations, including a temporary suspension of all foreign assistance to Myanmar, as foreign governments closed their embassies in Yangon and evacuated their personnel. The United States, Japan, West Germany, Great Britain, and other European states all suspended their support at the time.[18] The politics of this suspension were felt much more acutely in Japan than elsewhere. Much of the foreign donor community, including a particularly important ally, the United States, was in favor of cutting foreign aid to the country entirely.[19] In January 1989, however, the Japan-Burma Association sent a petition for the restoration of relations and aid flows to Myanmar to the Japanese government, citing the large financial losses that Japanese companies working on ODA projects would suffer if aid continued to be suspended, and the danger that Japan's withdrawal would create a vacuum in which other countries from the region, such as Singapore and South Korea, would gain dominance in the Myanmar market.[20] As a result, in February 1989, Japanese aid started flowing again, though in smaller amounts. Japan's average annual aid allocation to Myanmar fell from US$154.8 million, in the last decade of the previous regime, to US$86.6 million in 1989–1995, and just US$36.7 million in 1996–2005.[21]

During this period, the regime pursued greater collaboration with China and greater regional trade integration. China was the first country to recognize the new State Law and Order Restoration Council government, and grew to become an important aid actor under this regime, making its first major grant to Myanmar, of US$8.9 million, in 1991, and committing an additional US$8.6 million as an interest-free loan in 1993.[22] Between 1997 and 2006, China provided US$24.2 million in grants to Myanmar, US$482.7 million in subsidized loans, and US$1.2 million in debt relief.[23] In parallel, SLORC changed Myanmar's economic policy by opening the country to foreign investment in 1989.[24] This coincided with a period of broader strategic economic integration within Southeast Asia, in which Thailand, Singapore, and Malaysia made large investments in Myanmar.[25]

The OECD aid community's consensus on restricting assistance to Myanmar began to change in the early 2000s, when governments like the United Kingdom, Australia, and the European Union began to advocate reengagement. As shown in figure 1, aid to Myanmar started to grow at a low but relatively consistent rate from 2001 onwards. The UK posted an aid officer to the Yangon embassy in 2004, and strategy documents from the time pointed to the comparatively low levels of assistance per capita the country was receiving.[26] Australia went through a similar process.[27] Although the EU at the time was working solely through their humanitarian arm, they consistently adopted a pro-engagement stance, and their 2007–2013 strategy outlined the benefits of closer engagement.[28]

The United States continued to favor isolation of the military regime, however, and this created some challenges, perhaps best exemplified by the experience of the Global Fund to Fight AIDS, Tuberculosis, and

FIGURE 1
Aid commitments to Myanmar, 1996-2011



Source: OECD Creditor Reporting System Aid Activity Database

Malaria. The Global Fund signed its first grant agreement with the Myanmar government in 2004, and had budgeted to provide US$98 million of assistance over five years, before being shut down under intense pressure from Washington-based activists and U.S. government officials.[29] In response to this, several European countries, alongside Australia, established the Three Diseases Fund (3DF) to replace the Global Fund in pursuing this health agenda across Myanmar. The new fund ran for six years and distributed US$138 million to support the eradication of HIV/AIDS, tuberculosis, and malaria in Myanmar.[30]

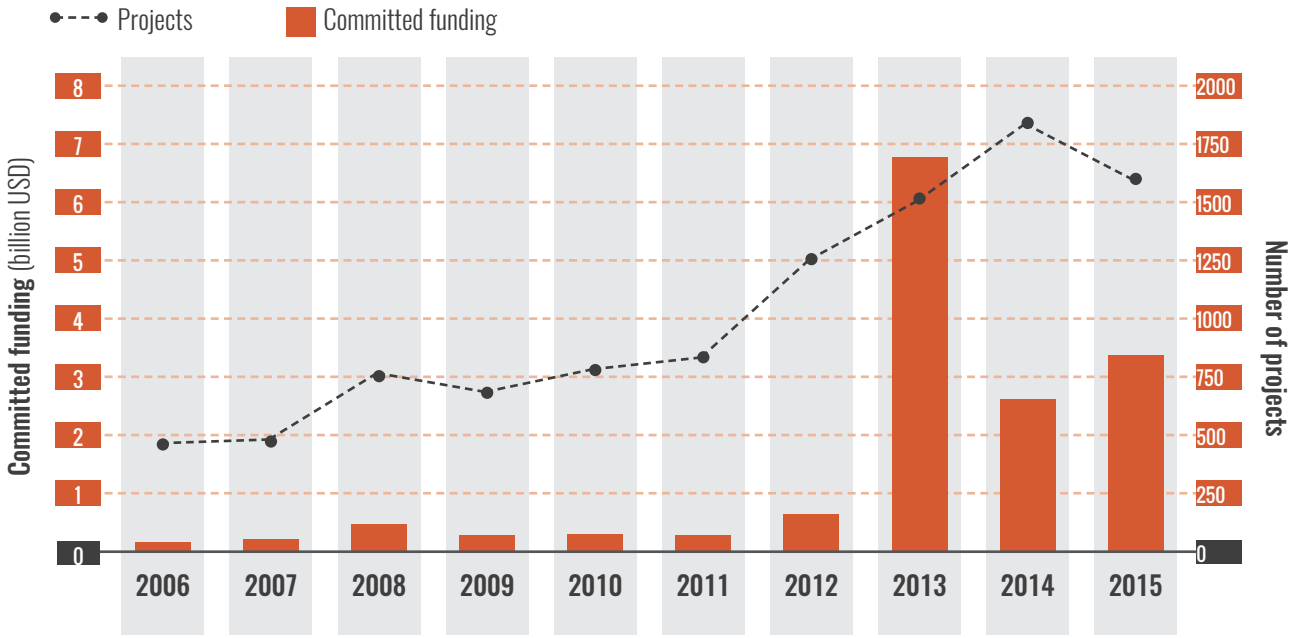
Further change in the international community's engagement with Myanmar came with the humanitarian crisis caused by Cyclone Nargis, which struck Myanmar in May 2008 and is estimated to have killed some 130,000 people. Although the regime initially denied access to many organizations, the eventual scale of the humanitarian response brought large numbers of new organizations into Myanmar. While local civil society organizations were the main actors in emergency response, there was a significant influx of INGOs: before the cyclone, around 40 INGOs were on the ground; the next year, the number grew to over 100, but by 2011 it had stabilized at around 65.[31] A similar dynamic is visible in the volume of international assistance provided at the time: although there was a surge in humanitarian response and recovery activities in 2008 itself, this dropped in 2009 to levels consistent with the rate of growth before Nargis struck.

1.3 Aid under the USDP government, 2011-2016

The political and economic transition initiated by the government of President Thein Sein brought significant change to Myanmar's aid landscape. In stark contrast to the closed nature of the previous regime, the new government welcomed support from the international community in pursuit of development and modernization.[32] As confidence in the scope and sincerity of the government's reform agenda increased, the international community took several steps to normalize aid relations, including significant debt forgiveness, the reentry of large, multilateral funding organizations, and the proliferation and expansion of bilateral aid programs. This greater engagement with the government initially attracted controversy, as many wondered whether the reform program pursued by the regime was genuine.[33] In contrast, supportive commentators at the time stressed the positive potential of development assistance in a country with some of the highest poverty levels in Southeast Asia,[34] and of the need to support the democratic transition process.[35]

Debt forgiveness undertaken in 2012 and 2013 was an essential foundation for the restoration of aid relations with Myanmar. At this time, the country had an estimated US$10.6 billion of international debt that would need to be addressed for lending to restart.[36] Japan had a central role in this process, forgiving US$3.7 billion during a visit by President Thein Sein to Tokyo in April 2012, and a further US$1.74 billion during a visit by Japanese prime minister Shinzo Abe to Myanmar in May 2013.[37] Myanmar's debts to the

FIGURE 2
ODA commitments and new projects in Myanmar, 2006-2015



Source: OECD Creditor Reporting System Aid Activity Database

World Bank and the Asian Development Bank, totaling approximately US$900 million, were cleared using a bridging loan from Japan in January 2013.[38] Norway also cancelled a US$534 million debt at this time.[39] This was accompanied by an agreement with the Paris Club, a group of international donor countries, to write off approximately 50 percent of the Myanmar government's remaining debt and to reschedule the remaining payments over the next 15 years.[40] This created space to quickly establish new concessional loans, with Japan providing US$2.2 billion,[41] the World Bank launching US$520 million in new programs in 2013,[42] and the Asian Development Bank starting with US$572 million of new activities.[43]

This was accompanied by a significant expansion in the presence of bilateral donors and international organizations. Many foreign governments that had previously engaged with Myanmar through a regional office, such as in Bangkok, established new offices in Yangon. This included some donors who now have some of the largest bilateral aid programs in the country: the European Union opened a formal delegation to the country in 2013,[44] and USAID reopened its mission to Myanmar in 2012.[45] A range of smaller donors also opened new offices, including a section office for Sweden in 2014, a new embassy for Denmark in 2014,[46] and an embassy for Switzerland in 2012.[47] While many donors opened new offices and expanded funding, most previously had programs in Myanmar: OECD data shows that in 2015, Myanmar had 39 different donors working in the country—up from 29 in 2011 and similar to comparable regional aid recipients like Vietnam and the Philippines. These figures do not reflect the large number of non-OECD donors present in the country.

The increase in funding was clear, however, with consistent and significant growth in aid after 2011, as shown in figure 2. From a low base of US$357 million for 2011, aid commitments doubled in 2012 and spiked dramatically in 2013 as debt forgiveness and new loans, primarily from Japan, came into effect. After receding from the 2013 peak, commitments for 2015, at US$3.4 billion, were still almost 10 times higher than their 2011 levels.

The transition also saw new sources of aid become available. These included global development trust funds, which do not maintain offices in Myanmar but have channeled significant aid commitments through different country-level implementing partners. The flows of several of these funds are larger than many prominent bilateral donors. For example, the Global Alliance on Vaccines and Immunization (GAVI) grew from a portfolio of US$1.6 million per year in 2010, to US$28 million per year in 2016.[48] Having disbursed some US$47 million between 2004 and 2010 in Myanmar, the Global Fund to fight AIDS, Tuberculosis, and Malaria disbursed a further US$381 million in the next six years, from 2011 to 2016.[49] The Global Environmental Facility channels money to Myanmar through both national and regional initiatives, and has active projects worth over US$56 million in its Myanmar-specific portfolio.[50]

The Thein Sein government's term also saw the development of new aid-management architecture in Myanmar. The Foreign Economic Relations Department (FERD) of the Ministry for National Planning and Economic Development (now the Ministry of Planning and Finance) was the focal point for government engagement with aid actors. In order to establish closer collaboration with line ministries, there were also 17 sector working groups established with joint donor and government participation.[51] This period saw the release of a significant number of development policy documents by government. Three of the released policies were particularly important for the aid community:

1. **Nay Pyi Taw Accord on Effective Development Cooperation (2013).** A framework of eleven overarching commitments, made jointly between government and donors, which referenced and adapted international development-effectiveness prescriptions for Myanmar.[52]
2. **Guide to International Assistance in Myanmar (2014).** This expanded on the Nay Pyi Taw Accord to provide detailed guidance on procedural matters for development partners' engagement in Myanmar.[53]
3. **Framework for Economic and Social Reforms (2013).** Developed at the request of the Office of the President and the Ministry of National Planning and Development, this document outlines development policy priorities through 2015, and was intended to link current government processes into the National Comprehensive Development Plan, a longer-term planning document under development at the time. In this period, the Framework for Economic and Social Reforms became the core document for donor understanding of the government's development priorities.[54]

FERD led a range of further initiatives during this time: Myanmar officially became a member of the International Aid Transparency Initiative (IATI) in 2014[55] and joined the Global Partnership for Effective Development Cooperation (GPEDC), submitting in 2016 the first monitoring survey on development effectiveness in Myanmar.[56] FERD also manages the Aid Information Management System, launched in 2015. The AIMS is a central public database of all aid projects that have been, are being, or will be implemented by donors in Myanmar—though its completeness is dependent upon donors updating their own information.[57]

Donors also significantly improved coordination among themselves under the Thein Sein government. Before this, some coordination occurred through the Partnership Group on Aid Effectiveness, an informal group of bilateral donors that started meeting after Cyclone Nargis.[58] Structures became more formalized in 2013, with the establishment of the Development Partners Group, which was open to all Myanmar's bilateral and multilateral donors and met approximately six times per year.[59] This was supported by the Development Partners Working Committee, a smaller executive body that met with government on a bimonthly basis.

These donor and government structures oversaw aid management in Myanmar until reforms under the NLD government in 2016. Altogether, they managed a portfolio of ODA totaling US$13.7 billion in commitments between 2011 and 2015, of which US$10.3 billion was disbursed. This is an incredible increase from the previous five-year period, which saw only US$1.5 billion in commitments and disbursements.[60] This transition—the result of significant work from government and the international community in both policy and programming development—brought Myanmar out of isolation and into the world of contemporary international development cooperation.

1.4 Aid under the NLD government, 2016-present

After the NLD won the elections in November 2015, there was considerable speculation that many of these trends would accelerate, but there has since been more continuity than change. There have been several major new funding announcements, but not the surge that some believed might occur.[61] The most significant of these was Japan's announcement of US$7.73 billion over the next five years at the ASEAN summit in Laos in October 2016.[62] While this is a significant amount, it remains unclear to what extent this is truly new funding and to what extent it refers to existing commitments. Beyond this, the largest new commitment was an announcement of €200 million from France.[63] The European Union also released a new Myanmar strategy, flagging the potential for greater support to the government.[64] Overall, while confirmation will need to wait until the OECD figures are released, there does not appear to have been a significant spike in commitments compared to the final year of the USDP government.

Change is more prominent in government and donor structures for the management of aid. The government has established a new high-level platform for coordination, policy development, and decision-making on aid projects, the Development Assistance Coordination Unit (DACU), as well as several joint, donor-government decision-making bodies. In addition, a new Development Assistance Policy is under development, and the sector working groups have been streamlined and renamed. The donors have reformed their coordination body, replacing the Development Partners Group and Development Partners Working Committee with the new Cooperation Partners Group (CPG), and establishing dedicated "work streams" to address key challenges faced in the delivery of aid.

With these new structures in place and beginning to produce new policy outputs, it remains to be seen whether aid under the NLD government will take a markedly different course than under its USDP predecessor. To better understand where the country is today, and what options government and the international development community have moving forward, the next section presents a comparative and more comprehensive overview of what aid looks like under the NLD government and where it may go from here.

Chapter 2

UNDERSTANDING AID TO MYANMAR TODAY

Through the changes that have taken place since 2011, Myanmar has increasingly moved toward development cooperation that is similar to its neighbors and to standard global practice. This chapter provides an analysis of six of the key features of aid within this system: its volume, providers, sectors, locations, financing, and coordination. Across these six areas, aid since 2011 has moved closer to what would be expected based on comparative practice. The subsections below explore each of these six areas in greater depth, identifying the key changes that have occurred in each.

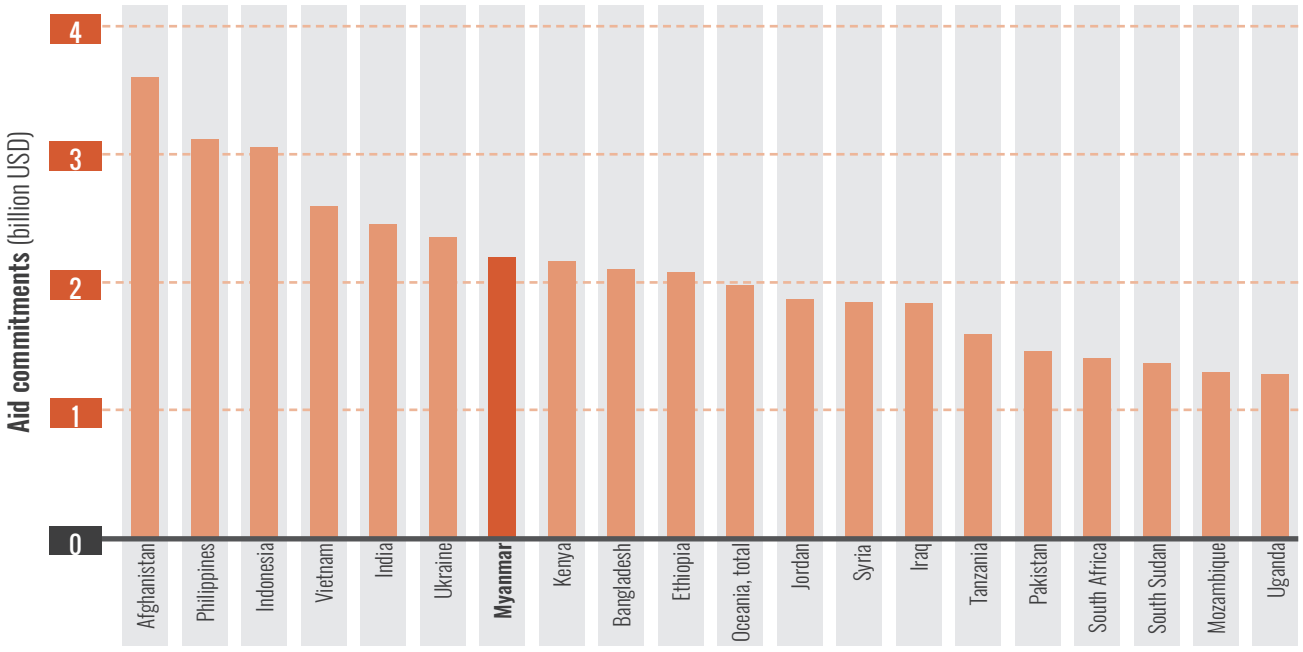
2.1 Total aid volumes

Myanmar's reengagement in international development cooperation has seen aid volumes increase significantly, and the country is now, by global standards, a major recipient of aid. A total of US$13.7 billion was committed to Myanmar between 2011 and 2015, and over US$10.3 billion disbursed, making Myanmar the 13th-largest recipient of aid commitments globally for this period. In terms of annual figures, the 2013 peak made Myanmar the third-largest aid recipient globally that year, but even with lower levels in 2014 and 2015, Myanmar remained at fifth and seventh position in the world, respectively (figure 3).

Myanmar is also a major recipient of aid per capita. As shown in figure 4, per capita commitments to Myanmar increased roughly tenfold between 2010 and 2015, while the country in the region with the next-highest increase, the Philippines, experienced only an approximate doubling of per capita assistance. Myanmar still has lower levels of aid per capita than either Laos or Cambodia, but this is unsurprising given the small populations of these countries: due to diseconomies of scale, aid per capita is consistently higher in small states.[65]

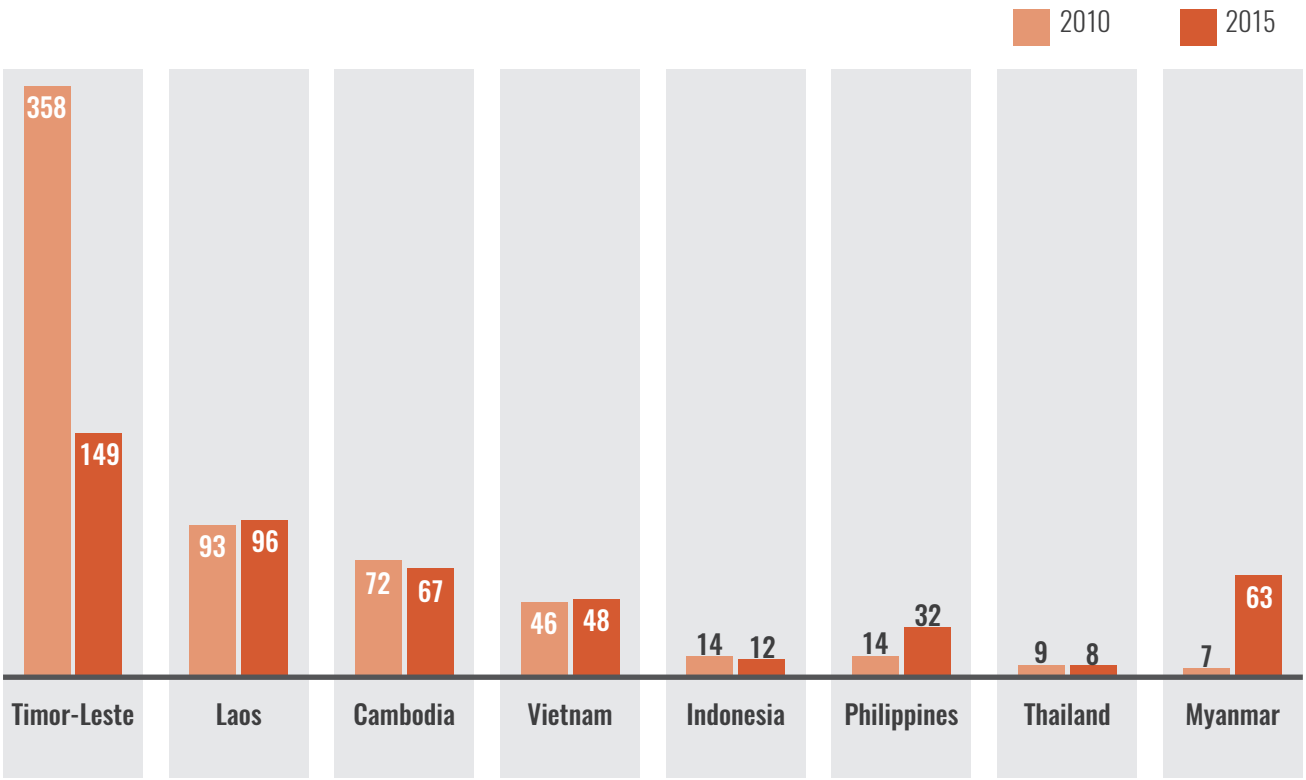
As a result of these increases, there is a large body of projects under implementation today. When the survey conducted for this report was completed in

FIGURE 3
Twenty largest recipient countries for ODA commitments, 2015



Source: OECD Creditor Reporting System Aid Activity Database

FIGURE 4
ODA committed per capita across Southeast Asia, 2010 and 2015

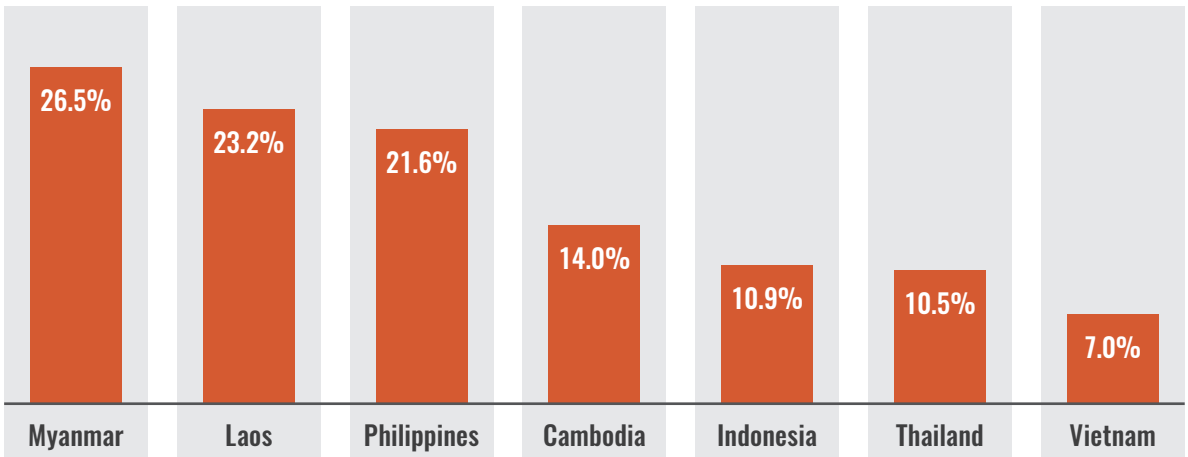


Source: OECD Creditor Reporting System Aid Activity Database

November 2016, donors reported 522 projects underway, with a combined budget of US$8.6 billion, of which US$2.3 billion had been disbursed.[66] These figures understate open commitments, as they do not include either announcements made after November or those made too recently to have been formalized into donors' project records. This implies that there is a minimum US$6.3 billion of forthcoming aid expenditure that can be incorporated into planning. Better management of these funds, either by government or by the donor agencies, can still improve their impact on Myanmar's development.

While these commitments are high, they are also consistent with Myanmar's relatively high poverty levels. As shown in figure 5, Myanmar has the highest rate of poverty among all its Southeast Asian neighbors, 25.6 percent, and the World Bank suggests it may be as high as 37.5 percent.[67] While this is only marginally higher than the Philippines or Laos, it is

FIGURE 5
Percentage of population below the national poverty line in Southeast Asia, 2010

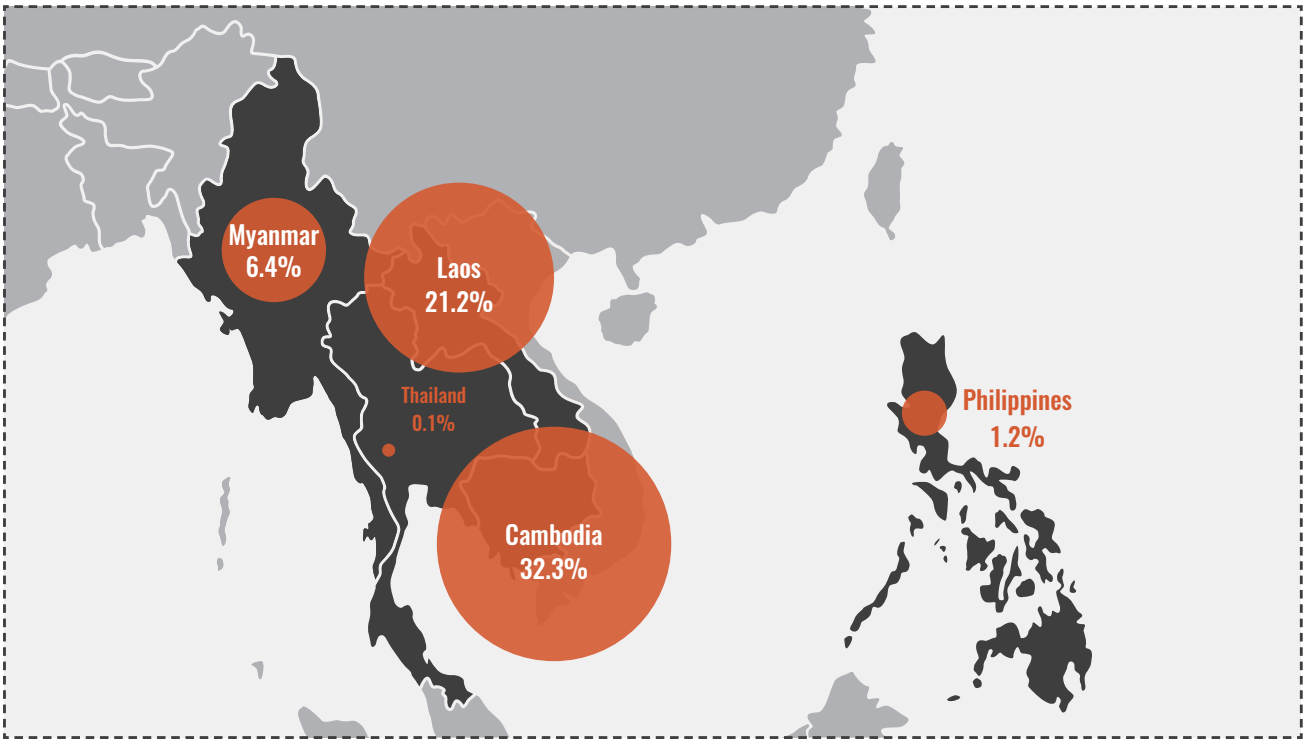


Source: Asian Development Bank. 2014. Country Diagnostic Study – Myanmar: Unlocking the Potential. ADB: Manila.

significantly more than Cambodia and Vietnam, which receive per capita aid in similar volumes to Myanmar.[68] These comparatively high poverty levels have been cited by several donors in their early strategy documents following re-engagement with Myanmar.[69]

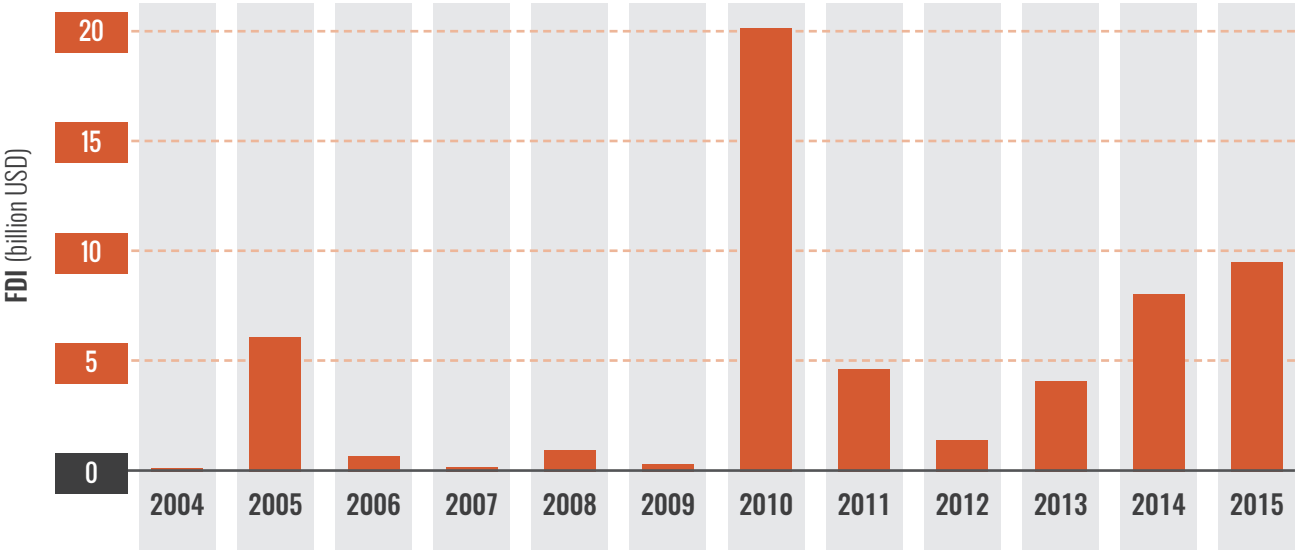
It is also important to note that aid to Myanmar remains relatively low compared to the overall economy, though more considerable when compared to the government budget. The US$1.2 billion in disbursements made in 2015 was only equal to around 2 percent of Myanmar's gross national income for the year, but amounted to 6.4 percent of the approximately US$18.5 billion Union budget.[70] As shown in Map 1, though this is far lower than countries in the region like Cambodia or Laos, it is

MAP 1
Aid disbursements as a percentage of total government expenditure, 2015[71]



Source: Figures for Cambodia, Laos, and the Philippines drawn from the World Bank. https://data.worldbank.org/indicator/DT.ODA.ODAT.XP.ZS

FIGURE 6
FDI to Myanmar, 2004-2015[72]



Source: http://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/year_sector.pdf
Note that the large spike in 2010 was driven by several major Chinese investments.

significantly higher than larger countries with a longer history of development cooperation, like the Philippines and Thailand.

Aid to Myanmar also needs to be considered alongside other sources of development finance, including trade, remittances, and foreign direct investment (FDI). Trade has grown significantly since the transition began, with the total value of imports and exports rising from US$18 billion in 2012–2013 to US$29 billion in 2016–2017.[73] While data on remittances remains incomplete, the World Bank estimates that Myanmar has received over US$3 billion each year since 2014—approximately the same as aid commitments in 2014 and 2015.[74] Foreign direct investment has also grown since 2011: while aid commitments totaled $13.7 billion in 2011–2015, FDI over the same period was approximately US$27.6 billion.[75] This is similar to many countries, as global flows of private capital vastly exceed development assistance each year.[76]

Overall, although aid to Myanmar is currently high, and this presents a significant opportunity, these levels are consistent with the level of development in the country, and are not high enough to make aid a major driver of development in Myanmar. Enthusiasm for the opportunity presented by the current high volume of aid needs to be tempered by an appreciation of the specific role of aid as just one source of finance for the country's development objectives.[77]

Box 2
Financing for development

Contemporary development cooperation considers the roles played by multiple sources of finance in achieving a country's development objectives. The Financing for Development (FFD) agenda emerged to promote the integrated use of these different financial flows. The Monterrey Consensus, the primary outcome document from the first global meeting on FFD in 2002, identifies three primary reasons to broaden the analysis of development finance:

1. The significant funding shortfalls faced by aid agencies in trying to achieve international development goals
2. The need to leverage all available sources of finance in pursuing those goals
3. The need for a more coordinated response among international aid, trade, and financial institutions.[78]

Based on this, the Monterrey Consensus identifies five primary sources of development finance beyond aid:

1. Domestic financial resources
2. Private foreign investment
3. International trade
4. External debt
5. Addressing systemic issues in monetary, finance, and trade policy

Policy debates in this area have continued, with a second global conference in Doha, in 2008, and a third in Addis Ababa, in 2015. The outcome document from this third conference, the Addis Ababa Action Agenda, sets current standards for action in this field. This framework is explicitly oriented toward the post-2015 development agenda, including the Sustainable Development Goals. The agenda has been praised for explicitly committing to "leave no one behind" and address the needs of the most vulnerable, while also making specific commitments to initiatives on science and technology and on global infrastructure funding.[79] At the same time, some have been highly critical of the agenda's failure to address international taxation, or to adequately address the structural issues that impede gender equality.[80]

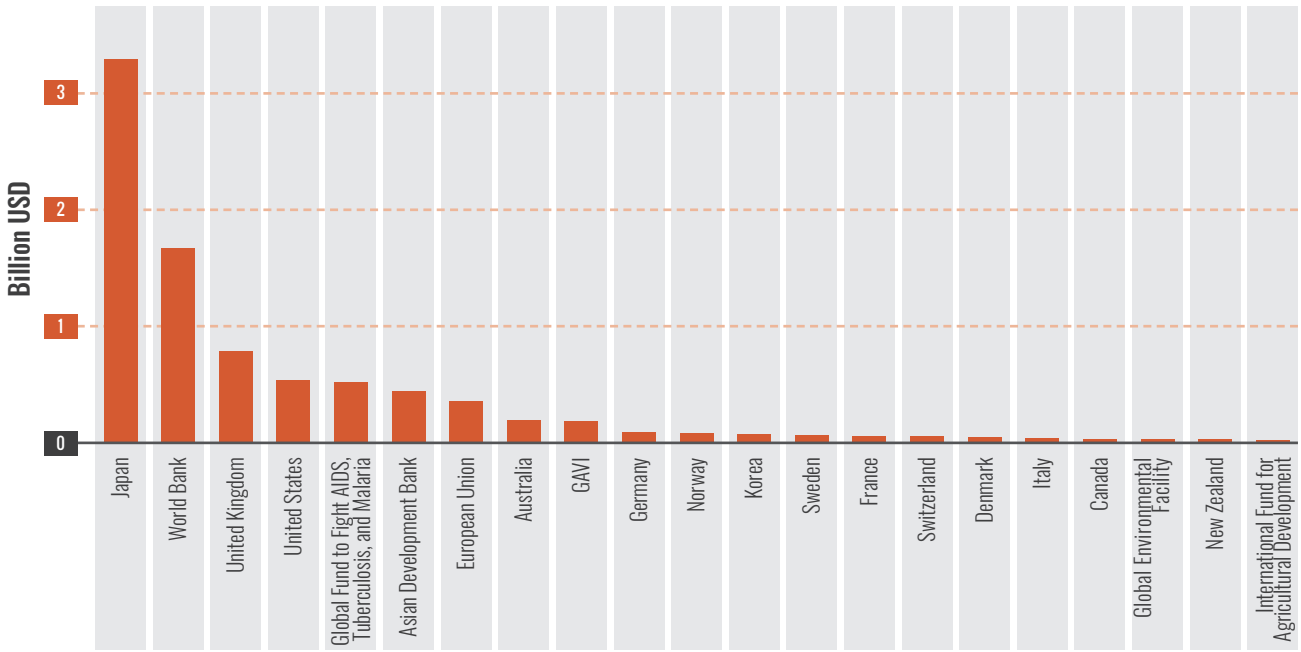
In Myanmar, the broad FFD agenda is reflected in the nascent work of the United Nations Development Programme (UNDP) in supporting a development finance assessment for the country—a review of all means of finance available to the pursuit of the country's development goals. These assessments are a standard tool that UNDP offers in support of government planning processes. As of November 2016, they had been started or completed in 12 countries, and were planned for a further 12.[81] In Myanmar, data quality control will likely be an impediment to effective completion of an assessment in the short term, but UNDP is aiming to start with a pilot assessment in the near future, possibly focused on a single state or region.[82]

2.2 Aid providers

There are now more aid providers working in Myanmar than at the start of the transition. Between 2011 and 2015, the number of donors tracked through the OECD system increased from 29 to 39,[83] though this would be a conservative estimate of donor numbers: many implementing organizations bring smaller volumes of core funding into the country, and there are donors who are not tracked by the OECD. An upper estimate would be the 85 distinct development partners tracked through the government's Aid Information Management System, though it is unclear how many of these provide their own funding.[84]

The majority of funding comes from a small subset of these donor agencies, creating the "long tail" of aid provision pictured in figure 7. The top three donors alone constitute 54 percent of all open commitments to Myanmar in November 2016—although recall that these figures excluded non-OECD development partners from the region, including China, India, and Thailand. While it is difficult to estimate these countries' spending, as they do not release public reports using OECD standards, section 3.4, below, presents qualitative analysis of their Myanmar programs. It is worth noting that, beyond the major bilateral donors and development banks, the transition also saw the entry of more specialized agencies, like the GAVI, the Global Fund, and the Global Environmental Facility. As shown in figure 7, these funds have mobilized resources that exceed the commitments from many bilateral donors.

FIGURE 7
Approximate commitments to Myanmar by cooperation partner, active projects as of November 2016

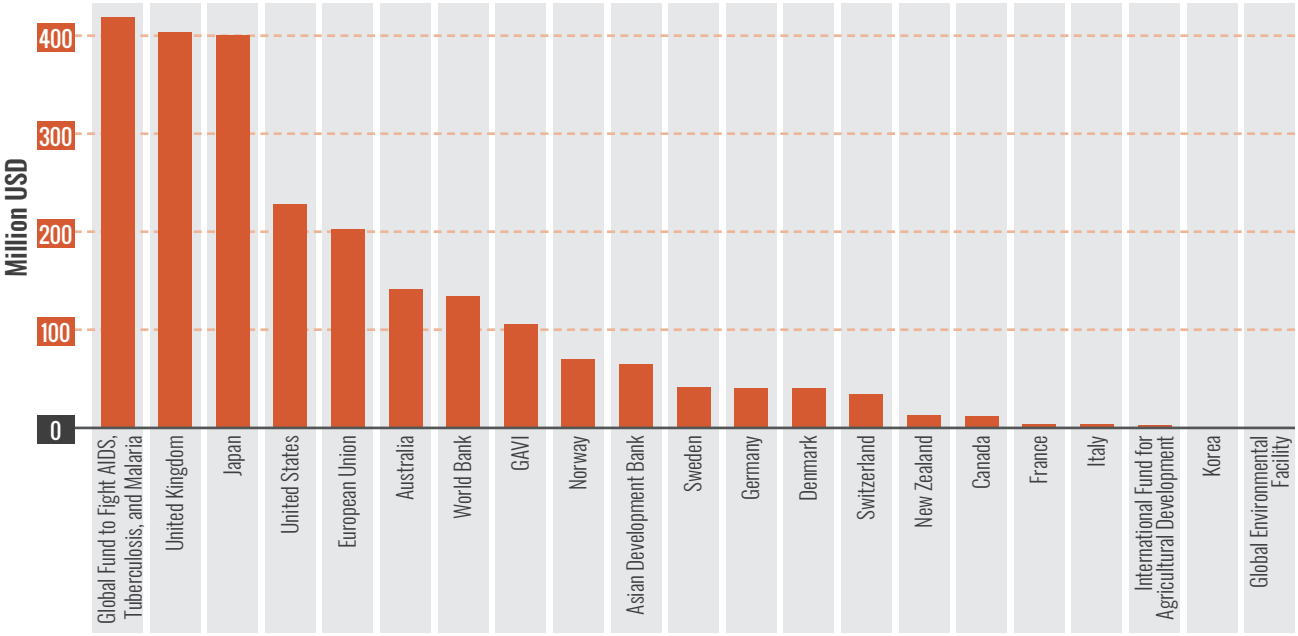


Source: The Asia Foundation Aid Data Verification Survey 2017. See Annex A on methodology

TABLE 1
Ranking of providers by commitment to countries in the region, 2015

INDONESIA	VIETNAM	LAOS	CAMBODIA	PHILIPPINES
1. Japan	1. Japan	1. Korea	1. Japan	1. Japan
2. Germany	2. World Bank	2. ADB	2. France	2. United States
3. Australia	3. ADB	3. World Bank	3. ADB	3. Korea
4. France	4. Korea	4. Japan	4. Global Fund	4. France
5. United States	5. Germany	5. European Union	5. United States	5. Australia

FIGURE 8
Approximate disbursements to Myanmar by cooperation partner, active projects as of November 2016



Source: The Asia Foundation Aid Data Verification Survey 2017. See Annex A on methodology

Box 3
Japanese development assistance in Myanmar

Japan is by far the largest donor in Myanmar, with over US$3.7 billion of projects under implementation in November 2016. As detailed in chapter 1, this builds on a long history of engagement in the country. The announcement of a major aid package in November 2016, totaling US$7.73 billion over five years, shows Japan's intention to remain the dominant provider of aid to the country. This reflects the extent of Japan's engagement in the region more broadly: it is also the largest aid provider to Vietnam, the Philippines, Thailand, and Indonesia.[85] Yet, Myanmar is a high priority even among these recipients, and in 2015 was the third-largest recipient of Japanese aid after the Philippines and Vietnam, as shown in figure 9.

Figure 9 also shows that the majority of Japanese assistance to Myanmar is for infrastructure, especially in the transport and energy sectors. This is evident in Yangon, where Japan is financing the planning and construction of new bridges, water supply, and electrification. This includes significant support for the Thilawa Special Economic Zone, just outside Yangon, for which Japan is the primary financial backer. There is a further focus on Kayin and Mon States in southeastern Myanmar, where Japan is supporting the development of the East-West Economic Corridor.

Japanese aid to Myanmar is implemented predominantly through the Japan International Cooperation Agency (JICA) and in cooperation with government ministries. The remaining funding goes to Japanese NGOs or to international humanitarian agencies including the United Nations High Commissioner for Refugees (UNHCR) and the World Food Programme. Japanese assistance to the peace process includes funding for the Nippon Foundation, whose chairman, Yohei Sasagawa, was appointed special envoy of Japan for reconciliation in Myanmar. The organization has received over US$100 million from the Japanese Ministry of Foreign Affairs for a range of confidence-building measures, including support to enable ethnic armed organizations to engage in peace talks, and small-scale assistance to people in conflict-affected areas.

Looking across the region, these donors are some of the largest aid providers in many other countries. As shown in table 2, Japan, the United States, and the Asian Development Bank are frequently among the top five providers of aid in Southeast Asia. One difference in Myanmar is the United Kingdom's position, which is higher than in any other country in the region, likely reflecting historical political engagement in the country.

The ranking of aid providers by disbursements (figure 8) differs from their ranking by commitments. There are smaller differences between the major donors, suggesting that those with the largest commitments have not been able to disburse these sums quickly. This is likely due to the large commitments made in the infrastructure sector, as the major infrastructure investors—Japan, the World Bank, and the Asian Development Bank—all have relatively large discrepancies between their commitments and their disbursements. Bilateral donors working in sectors like health and education, or working largely with civil society, seem to have disbursed a larger proportion of their commitments to date.

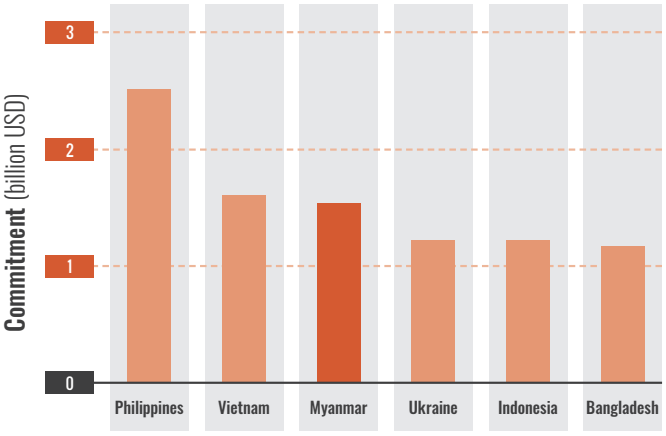
2.3 Major aid sectors

The sectors targeted by aid actors have also changed during the transition. As is the case globally, most aid to Myanmar targets a relatively small number of sectors: approximately 50 percent of all funding commitments are allocated to the energy, health, and transport sectors.[86] These are not necessarily the sectors with the greatest disbursement, however, with spending in the energy and transport sectors remaining relatively low (figure 10). In these cases, the largest commitments were typically only made in the last couple of years, and these complex projects require significant time to become operational. Disbursements are highest in the health and education sectors, where there has been a longer track record of support.[87]

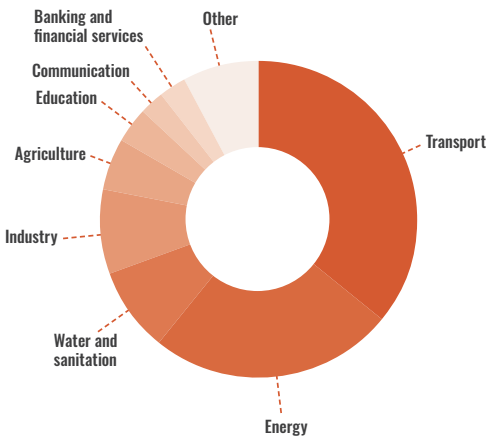
As shown in table 3, aid to Myanmar focuses on similar sectors to other countries in the region. While the rankings vary, there is a core set of seven sectors that are combined in different ways to make up the top five sectors in all countries. The frequency with which transport and energy appear at the top of this list is particularly striking, and reflects the scale of the investments required to build infrastructure in these sectors. Myanmar's top eight sectors include these seven and the "other multisector" category, which is the fourth-largest sector in the November 2016 survey. In Myanmar, this sector is dominated by the World Bank's National Community Driven Development Program (NCDDP), which is the single largest aid project in the country. As explained in greater detail in box 3, while this project focuses on small-scale infrastructure investment, it is difficult to assign it to a single sector, as decision-making on how funds are spent is devolved to the local level.

Figure 11: Commitments to selected ODA sectors in Myanmar, 2006–2015
The current distribution of commitments across sectors is significantly different than before the transition. While health spending has been a priority for aid to Myanmar over a longer period, the dominance of the energy and transport sectors reflects a significant change in aid priorities for Myanmar. As shown in figure 11, high commitments to the health sector have long significantly overshadowed commitments to these latter sectors. The major commitments to the energy and transport sectors have started much more recently, with a wave of infrastructure projects that started in 2015. This

FIGURE 9
Largest recipients of Japanese ODA, 2015 (left), and Japanese ODA sectors in Myanmar, 2016 (right)

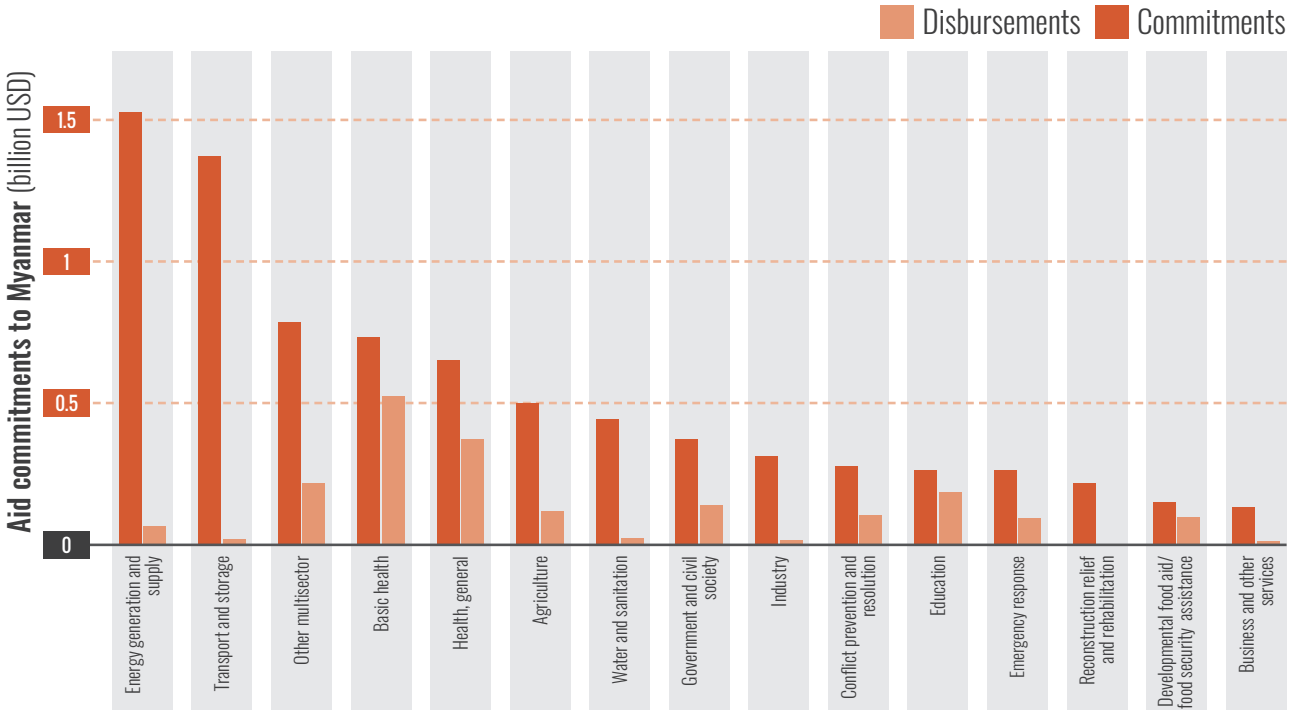


Source: OECD Creditor Reporting System Aid Activity Database



Source: The Asia Foundation Aid Verification Survey 2017

FIGURE 10
Top 15 sectors by ODA commitments and disbursements, November 2016



Source: The Asia Foundation Aid Data Verification Survey 2017

TABLE 2
Ranking of sectors in comparable regional countries, 2015

INDONESIA	VIETNAM	LAOS	CAMBODIA	PHILIPPINES
1. Energy 2. Transport 3. Education 4. Govt. & Civil Society 5. Health	1. Transport 2. Agriculture 3. Energy 4. Water Supply & Sanitation 5. Health	1. Energy 2. Health 3. Water Supply & Sanitation 4. Agriculture 5. Govt. & Civil Society	1. Transport 2. Health 3. Govt. & Civil Society 4. Energy 5. Water Supply & Sanitation	1. Transport 2. Education 3. Govt. & Civil Society 4. Agriculture 5. Health

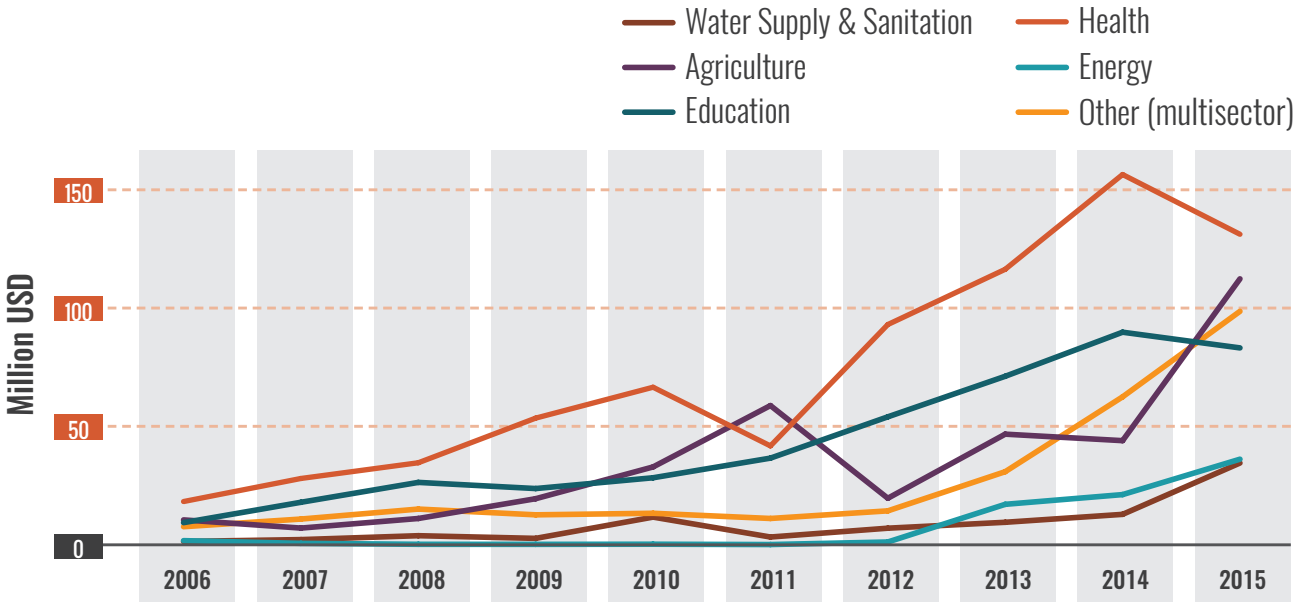
wave has been the result of a relatively small number of large-scale projects: of the 522 active projects in Myanmar, the 31 projects in these two sectors make up 35 percent of all commitments to the country.[88] Japan has played a particularly large role in this: of these 31 projects, the 15 funded by Japan constitute 23 percent of all commitments to Myanmar.

2.4 Tracking aid locations

Identifying where aid is being spent is a common goal of aid-data collection, but it is very difficult to do accurately. While determining which country aid is intended for can often be done—though even this can be difficult when aid is channeled through regional initiatives—it is frequently impossible to track where aid is reaching at a subnational level. Most donor programs are designed at a national level, with funding locations determined during implementation and in response to later-identified needs. Funding may be channeled through multiple implementing organizations and subcontracting agreements before the spending location is decided.

In the data collected for the aid verification exercise, the majority of assistance was provided through programs for which no target state or region was nominated. This was true of approximately 54 percent of total funding and 55 percent of all projects. Projects that do not specify a unique location may either genuinely aspire to a nationwide rollout, as with the National Electrification Program, or they may simply have dispersed impacts with no single beneficiary population, such as funding for policy research or advocacy.

FIGURE 11
Commitments to selected ODA sectors in Myanmar, 2006-2015



Source: OECD Creditor Reporting System Aid Activity Database

Box 4
Community-driven development programming

The National Community Driven Development Program (NCDDP) is the largest single aid program currently being implemented in Myanmar. It is designed to support rural communities by financing the construction of small-scale infrastructure, such as buildings, bridges, roads, and water sources. By devolving decision-making on spending to the village-tract level, the program was designed to align with the Thein Sein government's commitment to "people-centered" development.

In Myanmar, the (NCDDP) was established in 2013 with a US$80 million grant from the World Bank, and then expanded in 2015 with a US$400 million World Bank loan, increased government finance, and a US$20 million loan from the Italian government. It is implemented by the government's Department of Rural Development in the Ministry of Agriculture, Livestock, and Irrigation. Rollout across the country has been gradual, with the eventual aim to reach 63 townships and approximately seven million people across the country—around 13 percent of Myanmar's population.

The NCDDP has been adapted over time to operate in complex conflict environments. This has involved conducting conflict analysis, developing guidelines and training government officials in conflict-sensitivity, and running consultation across conflict lines and with target communities. A staggered rollout of the program in mixed-EAO and government controlled areas has allowed for continued learning on ways to work in conflict environments. An inherent challenge of the program is being government-led in conflict areas which are prone to experiencing low levels of trust between armed groups, communities, and the government. Nonetheless, while working in conflict areas comes with new risks, other development programs which adapt a 'conflict avoidance' approach can run the risk of developing disparities among communities in the long term or fueling tensions around who gets access to international development assistance.

Different models of community-driven development (CDD) have been applied by the World Bank in a wide range of locations, including Nigeria, Mexico, and Indonesia. A 2012 review found that, since 2002, the World Bank had supported approximately 400 CDD projects in 94 countries, with a total value of over US$30 billion.[89] Devolving decision-making to the community level is considered a way to respect citizens' right to determine what happens in their area and may lead to a better match between the projects financed and community needs. The approach is considered particularly appropriate in contexts of weak governance or violent conflict, in which closer collaboration with communities may be preferable to wholly government-led development initiatives.[90]

After the national projects, Yangon Region receives the most aid of any state or region in the country (figure 12). The priority placed on this region by donors is reflected in the number of agencies developing plans for the city of Yangon—one news source cites the Japanese, Korean, French, and British development agencies as having all supported separate initiatives for Yangon's urban planning.[91] Commitments to the region so far are primarily driven by Japan, which has committed a total of US$1.4 billion to 14 projects, including over US$600 million for the development of the Thilawa Special Economic Zone. Given the priority of developing Yangon and the funding made available by donors, Yangon development has been considered a candidate for piloting state- and region-level coordination between the government's Development Assistance Coordination Unit and the donor Cooperation Partners Group.[92]

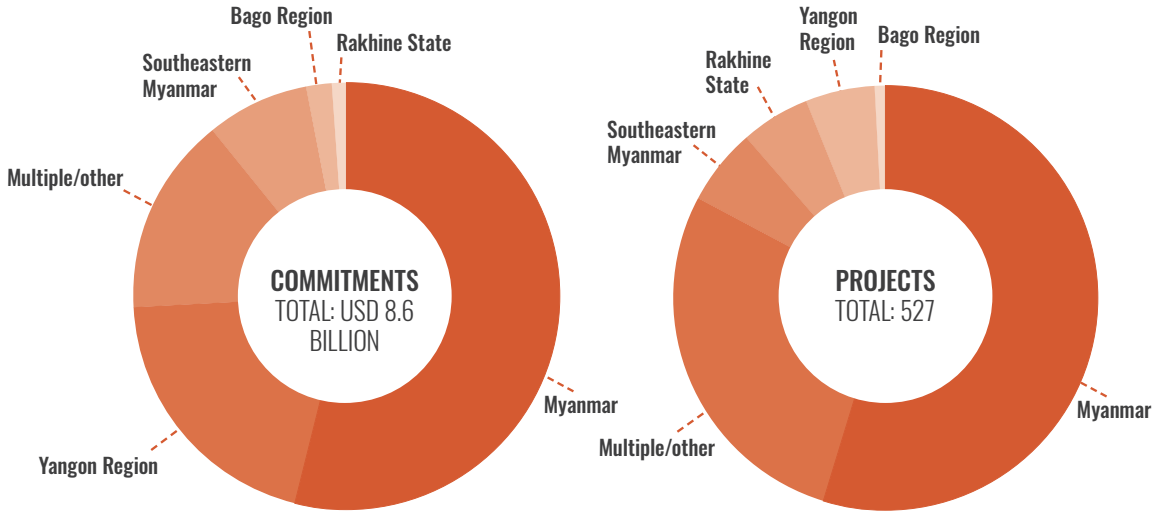
Given the history of border-based aid programs in southeastern Myanmar and the existence of relatively stable ceasefires over this period, it is worth exploring whether there has been a greater concentration of aid in this region.[93] From the data, it appears that there is a small bias toward the region: it receives 17 percent of the aid that is targeted at specific states and regions, while only having 5 percent of the national population. These figures are tentative, however, given the uncertainty in the targeting of funding distributed through national projects.

While it does not receive a high volume of funding, Rakhine State is the second-highest priority by number of projects, and the majority of projects in the state are humanitarian or focused on peace and conflict resolution. This tailored response to Rakhine State reflects the uniquely challenging nature of the state's political and humanitarian context. Given the protracted problems facing Rakhine, funding agencies have recognized the need to develop specific projects for the state, and they also likely face pressure from their headquarters to be seen to be responding to the situation on the ground. Nonetheless, the volume of funding has remained limited due to the political complexity of working in the state and the consequent difficulty of implementing large programs. These challenges have only increased with the escalation of violence in the state since the data collection was conducted for this report.

2.5 Government lending

Loans have become an increasingly important part of aid to Myanmar since the transition started, as old debts have been cleared, major development banks have reentered the country, and the international community has started working more closely with government. Following decades in which no new loans were signed, they now constitute the majority of new aid to Myanmar since 2013. As shown in figure 13, loans constituted 50 percent, 51 percent, and 71 percent of all new ODA committed in 2013, 2014, and 2015, respectively. Of the US$8.5 billion in funding captured in the aid verification survey in November 2016, US$4.4 billion was financed with debt. As shown in figure 14, there is a relatively small group of agencies providing these loans. The main lenders between 2011 and 2015 were Japan and the World Bank, with smaller loans from the Asian Development Bank, Korea, and Germany.

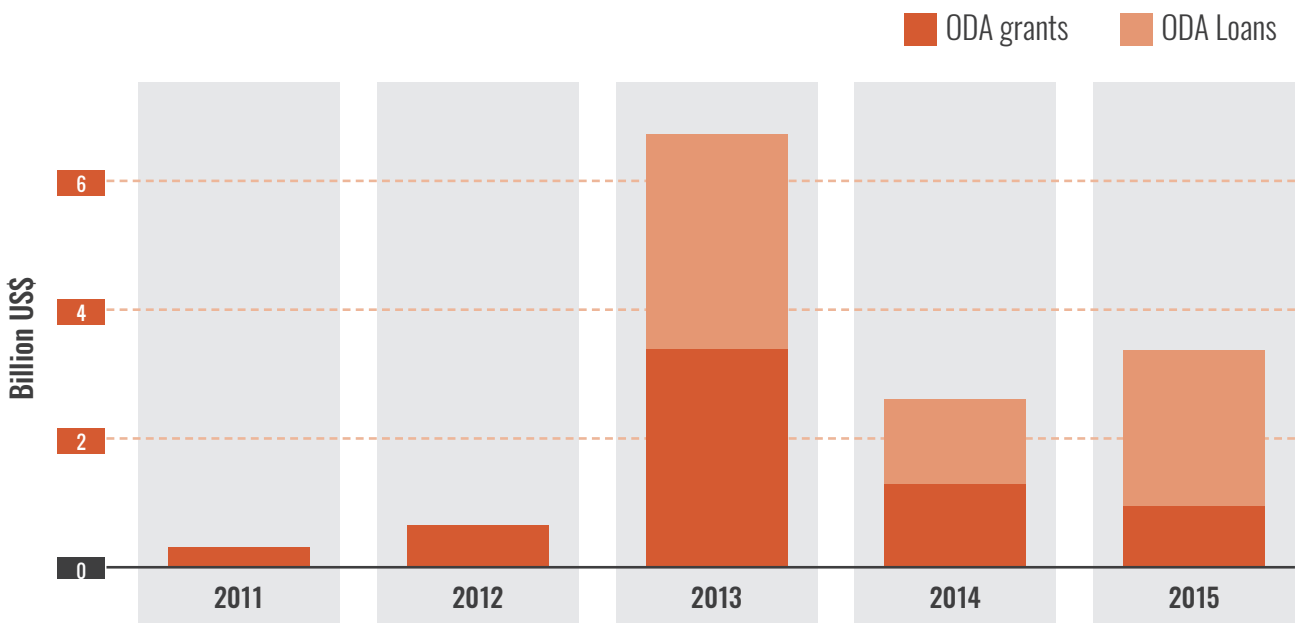
FIGURE 12
Commitments (left) and number of projects (right) by reported location, active projects as of November 2016



Source: The Asia Foundation Aid Data Verification Survey 2017

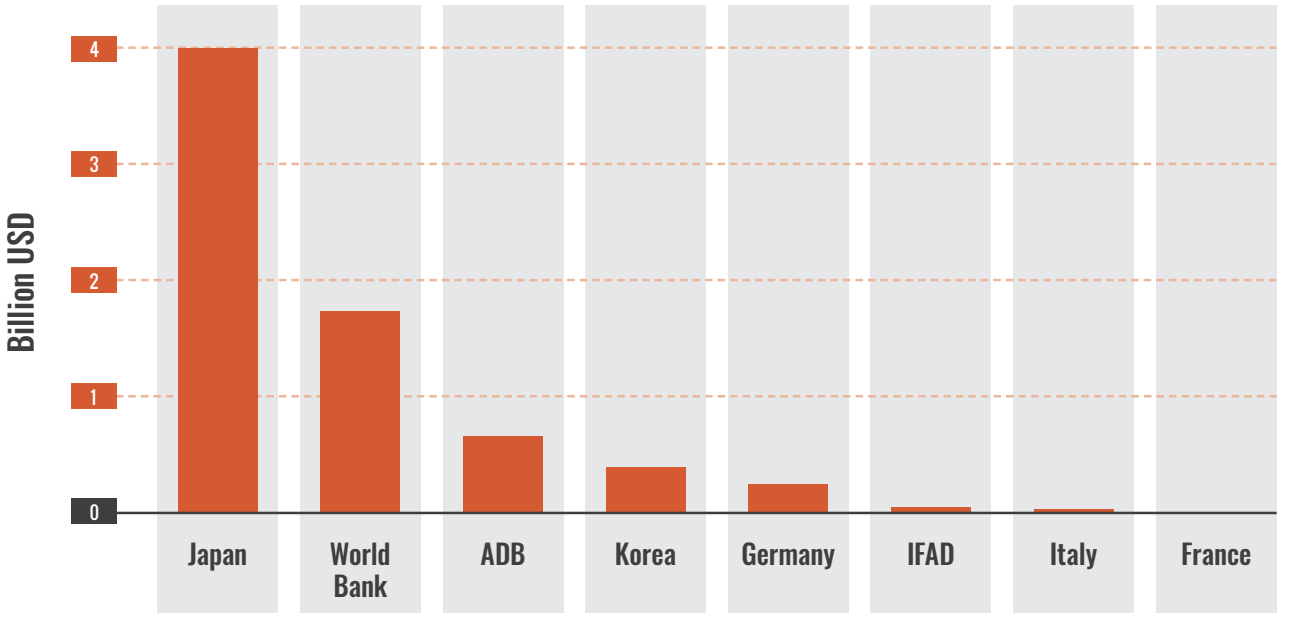
This expansion of lending is closely linked to aid agencies increasing collaboration with the Myanmar government. As shown in figure 14, though the majority of projects are still implemented through other channels, the majority of funding has been channeled through government since 2013. Note that the majority of aid to Myanmar is still provided through project-type interventions, however, rather than through fungible budget support, where the government would have greater freedom to control spending. Indeed, there were only two discrete budget-support projects under the USDP government, with

FIGURE 13
Loans and grants in ODA commitments to Myanmar 2011-2015



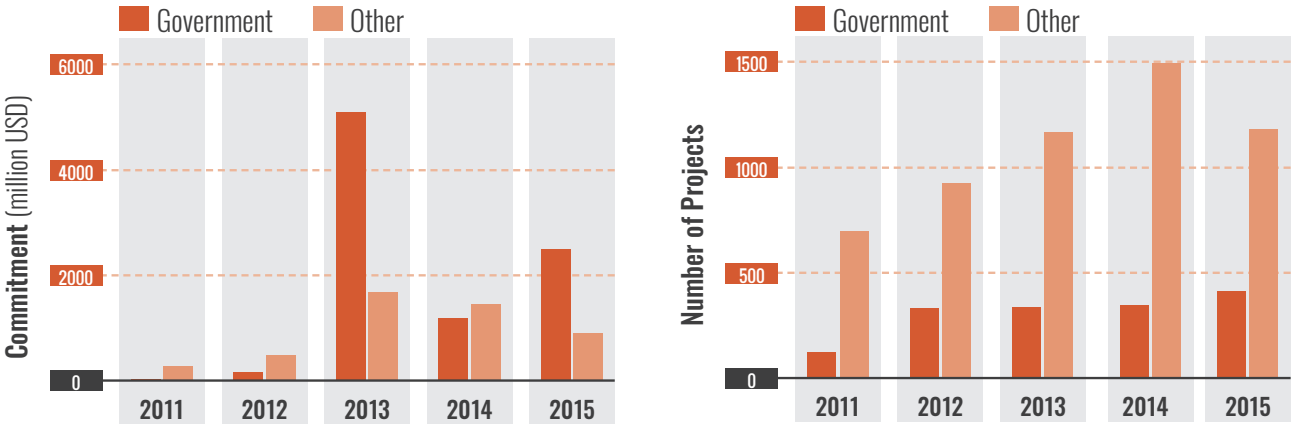
Source: OECD Creditor Reporting System Aid Activity Database

FIGURE 14
Providers of ODA loans to Myanmar, 2011-2015



Source: OECD Creditor Reporting System Aid Activity Database

FIGURE 15
Commitments (left) and number of projects (right) by channel of delivery, 2011-2015



Source: OECD Creditor Reporting System Aid Activity Database

Japan and France providing funding in 2013. This may start to change, however—the World Bank announced a US$200 million budget-support measure in 2017,[94] and exploration is underway by the European Union, which identifies budget support as an option in their latest Myanmar strategy.[95]

These loans have attracted significant attention in the Myanmar parliament, where there has been disagreement over whether they are a good deal for the country. Critical discussion had already emerged in 2013 when Myanmar first accepted US$100 million from China to finance small-scale agricultural loans.[96] There was similar controversy over a US$300 million loan from China Exim Bank, which was ultimately approved by parliament in February 2015.[97] Speculation emerged in August 2016 that the government was considering rejecting the final US$300 million of the package, as the loan terms were not favorable enough, but a final decision appears not yet to have been made.[98] These same issues have also arisen in debates over much smaller sums, such as when the USDP parliament, in 2015, approved a loan of US$39 million from China to supply vehicles to the Myanmar Police Force: the NLD questioned the interest rates when compared to finance available from countries like Japan.[99] Politicians are not just concerned about these higher-interest loans. In August 2015, members of parliament demanded an explanation of how the Ministry of Finance would spend and repay a concessional US$100 million loan from the World Bank.[100] Indeed, the parliament actually declined a US$45 million loan from the ADB, which was offered to the Ministry of Hotels and Tourism but focused on infrastructure. The permanent secretary of hotels at the Ministry claimed the infrastructure assistance was inappropriate for the goals of the Ministry, but accepted the technical assistance offered alongside the loan.[101]

International financial institutions have expressed little concern about Myanmar's current borrowing, however. The International Monetary Fund's 2016 debt sustainability analysis for Myanmar determined that the country was at low risk of debt distress.[102] As shown in table 4, external public debt (i.e., debt owed by government to organizations outside of Myanmar) is only 38.4 percent of total public debt, as the Myanmar government raises significant funds from short-term domestic loans. It is also a relatively small percentage of GDP at 15.9 percent, significantly lower than the 25.6 percent average for low- and middle-income countries in 2017.[103] It is also

TABLE 3
Myanmar's external public debt FY2015/16

	MILLION US$	% OF TOTAL PUBLIC DEBT	% OF GDP
Total debt	9,528.2	38.4	15.9
Multilateral	1,386.1	5.6	2.3
Official Bilateral	4,006.8	16.2	6.7
Financial Institutions	4,060.6	16.4	6.8

Source: International Monetary Fund (IMF) and International Development Association, Staff Report for the 2016. Article IV Consultations—Debt Sustainability Analysis, IMF Country Report No. 17/30 (Washington, DC: IMF, 2016)

TABLE 4
Multi-donor funds, budgets, and donors, 2016

FUND	BUDGET	DONORS
Livelihoods and Food Security Fund	> US $445 million	Australia, Denmark, European Union, France, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Sweden, Switzerland, United Kingdom, United States, Mitsubishi Corporation
3 Millennium Development Goals Fund	> US $271 million	Australia, Denmark, Sweden, European Union, Switzerland, United Kingdom, United States
Multi-Donor Education Fund Stage II	US $82 million	Australia, European Union, Denmark, Norway, United Kingdom
Myanmar Partnership Multi-Donor Trust Fund	US $59.3 million	World Bank, Australia, Denmark
Joint Peace Fund	> US $100 million	Australia, Denmark, Canada, European Union, Finland, Norway, Switzerland, Italy, Japan, United Kingdom, United States
Paung Sie Facility	US $6 million per annum	Sweden, Australia, United Kingdom

a significant improvement on debt levels prior to the current transition, when overall public debt reached 77 percent of GDP, in FY2007/2008.[104]

Other international financial institutions take a similar stance, promoting a prudent approach to assuming further debt, but not immediately concerned about Myanmar's current levels. For example, in a 2015 policy brief, the ADB advised that donors should be encouraged to provide as much support as possible through grants or very-low-interest loans.[105] Similarly, the World Bank's 2015 public expenditure review found that total public debt was within sustainable levels, but that the composition of that debt needed to be looked at more closely, as there was too much dependence on short-term domestic financing and non-concessional external loans.[106]

2.6 Aid coordination

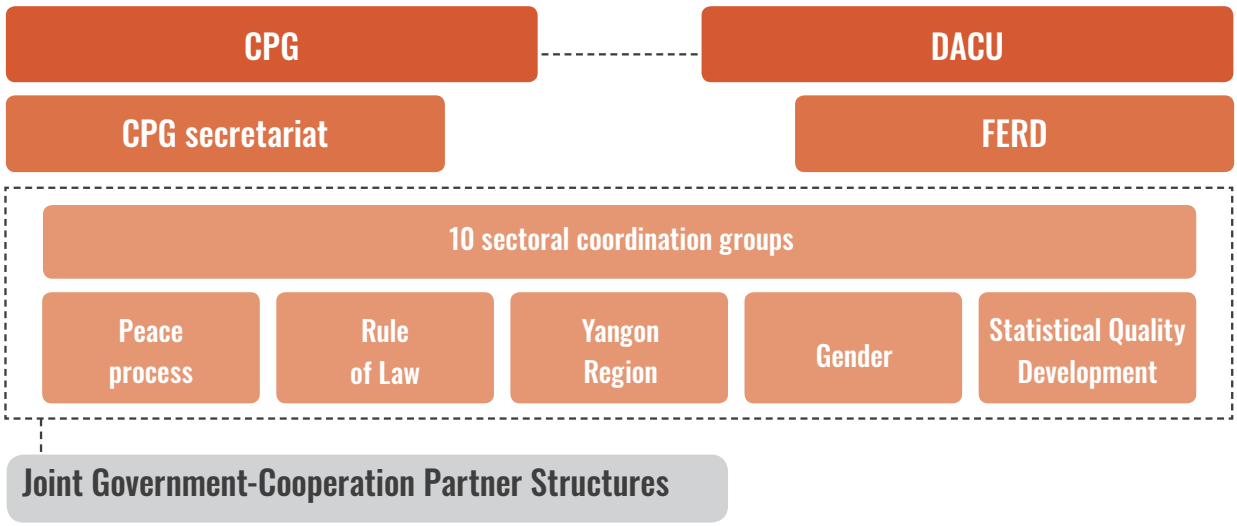
Since 2011, the Myanmar government and aid agencies have developed robust structures to better coordinate aid to the country. The NLD has continued this process, significantly revising the structures established under the Thein Sein government. As shown in figure 16, the current system involves structures on both the donor and government sides, as well as mechanisms for them to interact. On the donor side, the Development Partners Group has been superseded by the Cooperation Partners Group. On the government side, FERD now supports the high-level Development Assistance Coordination Unit, which has become the primary decision-making body on aid. Beyond the primary development-cooperation structures, there are distinct mechanisms for the coordination of peace and humanitarian support. The subsections below review these structures in turn.

Donor-coordination structures

The primary coordination body for donors is the Cooperation Partners Group (CPG), which started operating in July 2016. Moving toward a more inclusive model, the two-level arrangement with the Development Partners Group and the executive Development Partners Working Committee was reduced to a single flat structure. The CPG has four facilitators responsible for chairing meetings and setting the direction of the group: one representing the international financial institutions, one the UN agencies, one OECD bilateral donors, and one for the non-OECD bilateral donors—though no organization has stepped forward to take on this last facilitator position. There is a small secretariat, partly housed in UNDP and funded by the EU, UK, and Australia, which supports the day-to-day logistics of the group's work. The CPG has also established a number of "work streams" (figure 16) to improve thinking around challenges faced by cooperation partners that are not otherwise addressed through the Sector Coordination Groups, and to improve coordination with other stakeholders such as civil society and NGOs. Members of the CPG elect to participate in these work streams, which meet on a regular basis to discuss practical steps that could be taken to improve practice in their chosen area.

There are also dedicated donor forums for coordination outside the CPG structure. Coordination among donors of their support for the peace process is managed through the Peace Support Group, which

FIGURE 16
Current donor and government development coordination structures



Box 5
Multidonor trust funds in Myanmar

Multidonor trust funds have played an important role in the delivery of development aid in Myanmar for more than a decade. They are considered a powerful tool for coordinating large volumes of assistance, leveraging shared technical experts to improve programming, and pooling the political risk that donors may face in funding certain initiatives.[107] There are at least six major trust funds currently in operation in Myanmar. The first to launch was the Three Diseases Fund, begun in response to the Global Fund's restrictions on working in Myanmar, and the six that followed are documented in table 5. Establishing country-level, multidonor trust funds has become an important component of international development practice. They are particularly important in contexts where the government itself may not have the capacity to absorb large amounts of funding.

The future of multidonor trust funds in Myanmar is increasingly unclear, given trends towards greater collaboration with government. In the case of health, for example, the 3MDG Fund will need to adapt its role as agencies like the Global Fund and GAVI scale up their support for the Ministry of Health and Sports. Yet, there is still a case for their continuing role in the medium term: it is important not to expand funding faster than ministries can effectively manage; the funds can play an important role as an outside source of policy knowledge for continuing reform; and the funds are well positioned to promote and collaborate with the full range of nongovernmental and civil society organizations necessary for a thriving health sector. In other domains, such as support for the peace process, a nongovernment platform for pooled funding can also play an important role in maintaining the confidence of all sides in the impartiality of the international community's assistance. Identifying the specific added value of each fund, and what adaptations have to be made, will be an important issue for donors over the next five years.

was originally formed by President Thein Sein who invited the Norwegian government to be the first chair.[108] After Switzerland assumed the chair in 2015, it has now passed to New Zealand. The coordination of humanitarian support is more complex, with a Humanitarian Country Team, led by the UN resident coordinator/humanitarian coordinator and comprising both UN agencies and INGOs, providing strategic coordination to organizations working across the eleven clusters for humanitarian support, and with different state- and region-specific coordination structures.[109]

Government structures and policy

The major change in government aid architecture has been the establishment of the Development Assistance Coordination Unit (DACU). While FERD provides the secretariat for the DACU, the latter is now the peak government body for decisions on aid and aid policy. It is chaired by State Counsellor Daw Aung San Suu Kyi, as it was determined that high-level government representation was needed to improve the aid-coordinating body's ability to engage, and where appropriate direct, both donor representatives and

senior representatives of government line ministries. Five priority areas have been identified for the DACU's work:

1. Identification of development-assistance priorities
2. Drafting a development-assistance policy
3. Refreshing the thematic/sectoral working groups
4. Addressing major implementation constraints
5. Establishing effective project screening, processing, and approval mechanisms[110]

Varying degrees of progress have been made in each of these areas. On the issue of implementation constraints—the more practical barriers to effective program implementation—there has been ongoing dialogue with donors. The DACU's screening and approval mechanisms have come under some scrutiny. Interviews conducted for this study revealed some concern that stronger government coordination would impede donors' ability to effectively administer their aid programs,[111] particularly when they have different policy approaches, such as on humanitarian or peace-process issues. Note, however, that several interviewees also said that, in their experience, Myanmar has been a particularly unregulated environment by global standards, and that this creates significant inefficiencies.

Joint coordination structures

The new government has also changed the former sector working groups to a simplified set of ten sector-coordination groups (SCGs). Reducing the number of groups was considered important to enable the government to more effectively oversee the activities of each group. Each group is also now intended to coordinate larger amounts of programmed aid—at least US$100 million per year. Draft guidelines for the SCGs have been circulated, and a final set will be included in the government's forthcoming Development Assistance Policy.

Outside of the sector-coordination groups, five further structures have been established for joint planning and decision-making around aid:

1. The Statistical Quality Development Coordinating Group
2. The Yangon Urban Development Coordinating Group
3. The Gender Equality and Women's Empowerment Coordination Group
4. The Joint Coordinating Body for the Rule of Law and Justice
5. The Joint Coordinating Body for Peace Process Support

FIGURE 17
Cooperation Partner Group Work Streams

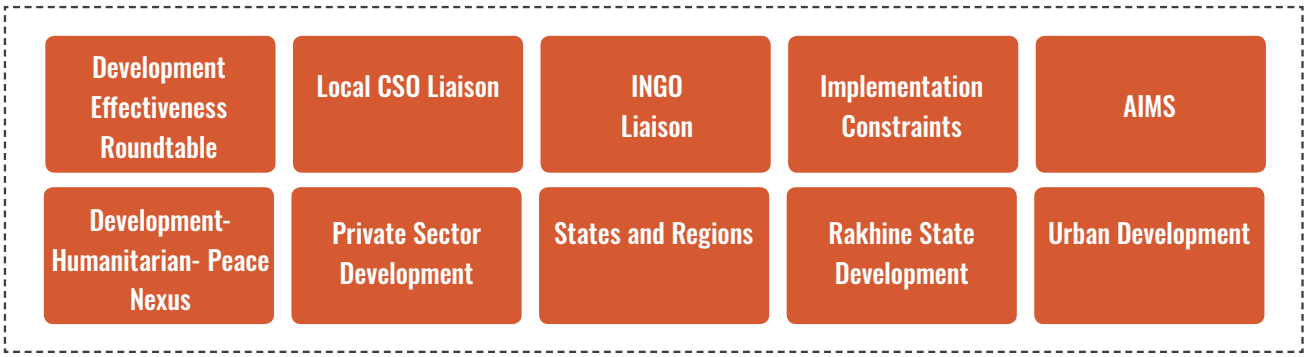
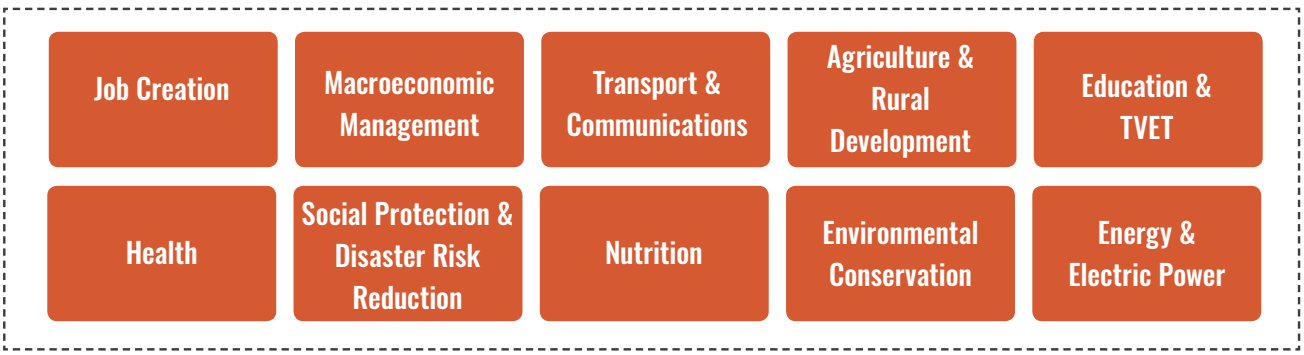


FIGURE 18
Sector Coordination Groups following the 2017 reorganization



An important global policy framework intended to inform country-level aid planning is the 2030 Sustainable Development Agenda, at the core of which are the 17 Sustainable Development Goals (SDGs). These goals build on the structured system of global development priorities first established with the Millennium Development Goals, adopted at the UN Millennium Summit in September 2000. These original eight goals, ranging from the eradication of extreme hunger to the improvement of maternal health and the promotion of environmental sustainability, provided a set of quantified and time-bound targets for the reduction of extreme poverty.

The 17 Sustainable Development Goals are tied to a total of 169 specific indicators. They are broader than the Millennium Development Goals, and include targets related to the promotion of gender equality and improvements in peace, justice, and institutions. Building upon past experience, they have been praised for adopting a comprehensive and rights-based approach to development, promoting a more equal collaborative relationship between developed and developing countries, and incorporating explicit commitments to inclusion and reducing inequalities. At the same time, the breadth of the SDGs has attracted significant criticism, with some calling the framework sprawling and unmanageable.

Discussion of the SDGs is still at a relatively early stage in Myanmar. There is little indication that they are being systematically integrated into government planning, and there is no national or international organization clearly working to determine their implications for policy. Some initial steps have been taken by United Nations Development Programme (UNDP), which has completed an assessment of the data sources available to track progress towards the goals. As government staff in the Ministry of Planning and Finance continue to define aid and development policy, Myanmar's commitment to the 2030 Sustainable Development Agenda is likely to become a more prominent component of their work.

Box 6
The Sustainable Development Goals and 2030 Sustainable Development Agenda

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Chapter 3

KEY AID POLICY AREAS FOR MYANMAR'S TRANSITION

For all the progress in development cooperation in Myanmar, there are many areas where government and donors must continue to refine policy. The sections below provide an overview of four of these areas: determining priority sectors for development, negotiating peace and humanitarian assistance, applying and localizing international aid effectiveness standards, and engaging with neighboring cooperation partners. They are not intended to provide either a rigorous evaluation of progress in these areas to date or detailed prescriptions for the future, as each would merit its own dedicated research project. These sections should instead be taken as an introduction to key themes and a prompt for further discussion.

3.1 Priority development sectors

National development plans are used by many countries to frame priorities and processes for their own development, and these provide useful guidance for development cooperation. The responsibility for defining these objectives ultimately rests with the national government, which hosts international aid actors, though there is a role for the international community in supporting the process by which they are defined. Development priorities should be defined by, and specific to, the country receiving aid. Providers of aid should avoid introducing performance indicators that are not consistent with the country's national development strategies.[115]

In Myanmar, the current government has elected not to adopt an overarching framework for the country's development, and to focus instead on defining strategy at the sectoral level. Under the former government, the primary guidance was the Framework for Economic and Social Reform (FESR), which framed the Thein Sein's government's priorities across the whole economy, and which was praised by donors.[116] The National Comprehensive Development Plan, intended to follow the FESR and cover the period from 2011 to 2031, was finalized but never officially adopted.[117] The NLD government has explicitly committed to defining strategy within sectors, perceiving no need to define priorities between these parallel areas of work. The government has already invested significant effort in the development of sectoral plans, such as the Myanmar National Health Plan[118] and the National Education Strategic Plan.[119] This may indeed be the best approach for Myanmar at this point in time—while the international development effectiveness literature covers in great depth the relationship between national and international development frameworks, it offers very few prescriptions on how national governments should conduct their planning.

Nonetheless, it remains instructive to consider what government and donors see as they key sectors for Myanmar's development. Some inferences can be drawn from the public statements of government representatives—Aung San Suu Kyi has repeatedly identified the transportation and electricity sectors as priorities.[120] Other indications come from dialogue with foreign leaders, such as the discussion of job creation and human resource development with Japanese prime minister Shinzo Abe.[121] These broadly overlap with the priorities identified in the strategies of major donors working in Myanmar. The ADB country strategy, 2017–2021, identifies three primary development priority sectors—infrastructure (including energy, transport, and urban infrastructure and services), rural development, and education and training.[122] Similarly, the World Bank's Country Partnership Framework has three priorities: reducing rural poverty, investing in people and effective institutions, and supporting a dynamic private sector.[123] Japan has a much broader strategy, identifying nine priority areas for assistance and emphasizing the complementary roles of developing both urban and rural areas.[124] The subsections below unpack policy in three of the recurrent high-priority development sectors: energy, transportation, and rural development.

Energy

The case for investment in Myanmar's energy sector is clear: approximately 70 percent of the population, and 84 percent of rural households, have no access to electricity from the grid.[125] Though the country has high potential for electricity generation, with abundant natural gas and hydropower resources, underinvestment in basic infrastructure has left both the generation of power and the means for its

distribution well below the country's needs. This situation is exacerbated by the fact that Myanmar exports a lot of the energy it produces to China and Thailand.[126] Addressing these constraints would not only elevate living standards across the country but help drive economic growth more broadly.[127]

The government has taken steps to define a strategy for development in this sector. It established a nine-point National Energy Policy in 2014,[128] and a Myanmar Energy Master Plan has been drafted with technical assistance from Japan and the ADB.[129] For the transmission and distribution of power specifically, there is also a National Electrification Plan, which calls for universal access to the electrical grid by 2030 and estimates that US$5.8 billion is required to achieve that goal.[130]

There is currently US$1.5 billion in aid committed to the energy sector.[131] These investments are led by Japan (US$ 816 million), the World Bank (US$540 million), and the Asian Development Bank (US$145 million). As shown in figure 18, disbursements of these commitments remain limited. Unlike the transport sector, below, which is dominated by investments in specific geographical corridors, approximately 50 percent of funding in the energy sector is for national projects, reflecting the challenge of distributing power from the site of generation to households across the country.

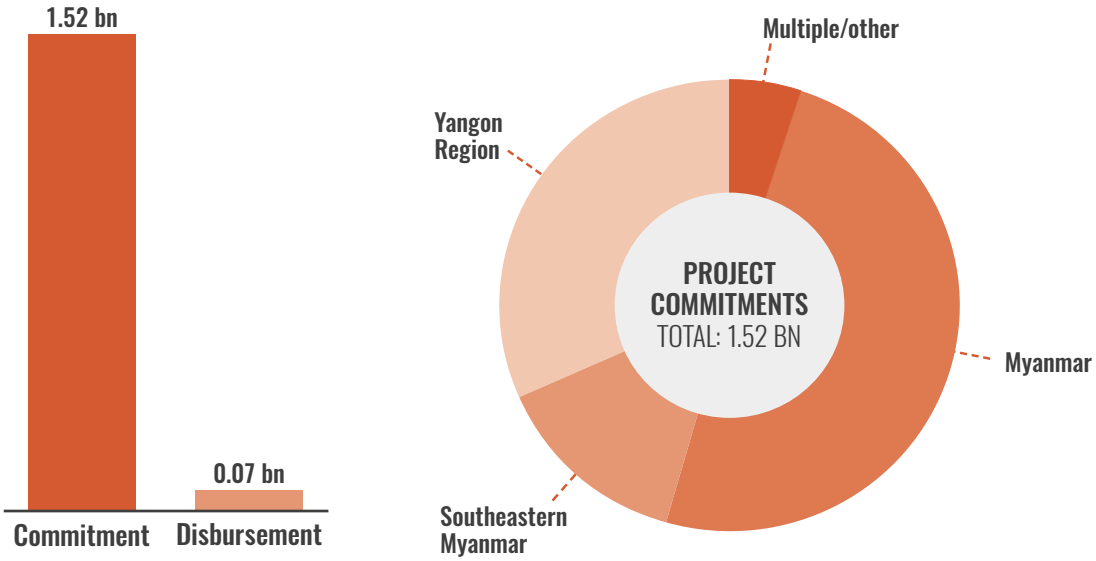
Donors have supported a wide range of initiatives for power generation. Japan financed the renovation of the Baluchaung hydropower facilities in Kayah State,[132] and the World Bank has supported a gas-fired plant in Mon State.[133] The nonsovereign arm of the ADB, which lends to private companies and is intended to make a profit, has provided a loan of US$152 million for the Myingyan gas power facility in Mandalay Region.[134] The International Finance Corporation (IFC) has also made US$40 million in financing available for the project, and the Asian Infrastructure Investment Bank a further US$20 million.[135] The IFC launched a strategic environmental assessment for hydropower in 2016 in order to determine the scope for further development in this sector.[136]

For power transmission, a major target for international assistance has been improvement in the north-south transmission line from Meiktila, near Mandalay, down to Yangon. The majority of power in the country is generated in northern Myanmar, where there are several large hydropower facilities, but the majority of power is used in Yangon,[137] and a significant upgrade was required to improve the flow of power along this line. The upgrade divided into three phases, financed by the governments of Serbia, the Republic of Korea, and Japan, respectively.[138] Japan alone invested over US$550 million in the project to upgrade the line and build substations along the route.[139]

Transportation

As with energy infrastructure, underinvestment in transportation infrastructure in Myanmar poses a dual problem: it is both an immediate detriment to

FIGURE 19
Aid commitments, disbursements (left) and commitments by location (right) in the energy sector.



Source: The Asia Foundation Aid Data Verification Survey 2017

peoples' standard of living and a significant constraint on economic growth.[140] Only 40 percent of Myanmar's road network is paved, with half the rural population lacking access to all-weather roads. This is significantly worse than Myanmar's neighbors: in 2011, the ASEAN average road density was 11km per 100,000 people, while Myanmar's was only 2km.[141] The rail network received much higher investments from the 1980s onward, but motivated by a goal of national integration rather than economic return, these expansions were not into highly profitable areas.[142] Inland waterways and deepwater ports will also be important targets for transportation investment in Myanmar.[143] Overall, the ADB estimates that US$60 billion in transport infrastructure investments are required for 2016–2030.[144]

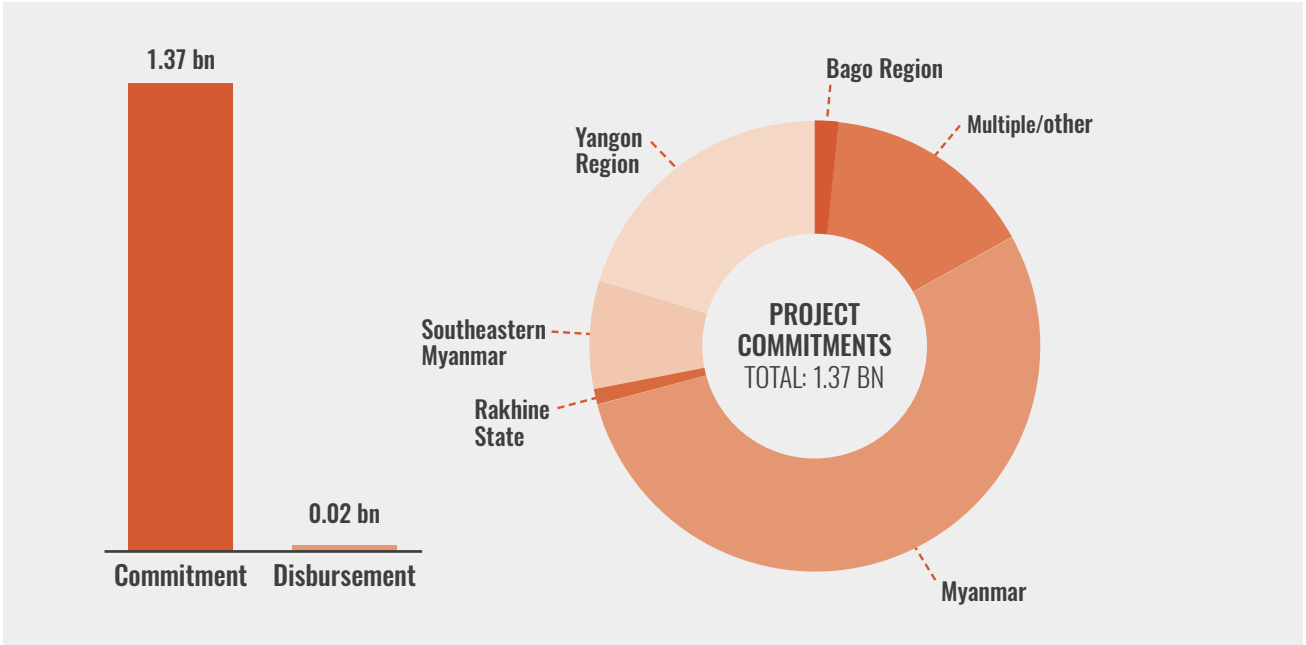
Though transportation has been identified as a priority by government, policy in this area remains unclear. The Ministry of Transport and Communications has drafted a National Transport Sector Policy Statement, but this has not been officially approved.[145] JICA has collaborated with the government in the development of a National Transport Development Plan,[146] and KOICA has assisted in the development of the National Arterial Roads Master Plan,[147] though it is unclear what actions have been taken in response to their recommendations. The ADB's 2016 Transport Sector Policy Note suggests that the government confirm its commitment to these documents to signal commitment to ongoing reform in the sector and to guide investment planning for new projects.[148]

As shown in figure 20, there are almost US$1.4 billion in aid commitments to the transport sector.[149] As with the energy sector, disbursements to these projects remain limited. Only two donors have currently committed funding to this sector: Japan, with US$1.18 billion, and the ADB, with US$183 million. The geographical breakdown of these infrastructure projects shows a clear focus on the Yangon Region and the east-west route through Mon and Kayin States.

Transportation investments in Yangon Region are dominated by Japanese support for the Thilawa Special Economic Zone. This has been a major priority for Japan, with US$124 million invested in the site itself, financing of US$266 million for the Bago River Bridge, which provides a route for high volumes of freight transport to central Yangon,[150] and US$40 million for the smaller Thaketa Bridge, also along the route into the city center.[151]

The east-west transport route is part of the ADB's Greater Mekong Subregion East-West Corridor program. Launched in 1998, this is intended to link Mawlamyaing, in Myanmar, through Thailand and Laos, to Danang, in Vietnam.[152] Support for the development of the Myanmar portion has come from the ADB, Japan, and Thailand. Japan's US$284 million commitment to this project is the largest single aid investment in the transport sector, and is intended to support the upgrading of three bridges along the route: at Gyaing Kawkareik, Attaran, and Gyaing Zathabyin, in Myanmar's Mon and Kayin States.[153] The ADB is financing 66km of the highway

FIGURE 20
Aid commitments, disbursements (left) and commitments by location (right) in the transport sector, November 2016



Source: The Asia Foundation Aid Data Verification Survey 2017

between Eindu and Kawkareik, in Kayin State,[154] and the other stretch of road, connecting Kawkareik with Myawaddy on the border, was financed by Thailand as part of the India-Myanmar-Thailand Trilateral Highway.[155]

A further major transport project is India's Kaladan Multimodal Transport Project. This is intended to link the Indian port of Kolkata and the northeastern state of Mizoram with a route through Myanmar—a complex chain of sea, river, and land transport that passes through Sittwe and Paletwa. The Indian Embassy reports that approximately US$484 million will be invested in this route,[156] alongside a further US$360 million in road projects connecting Chin State and Sagaing Region with the Indian border.[157]

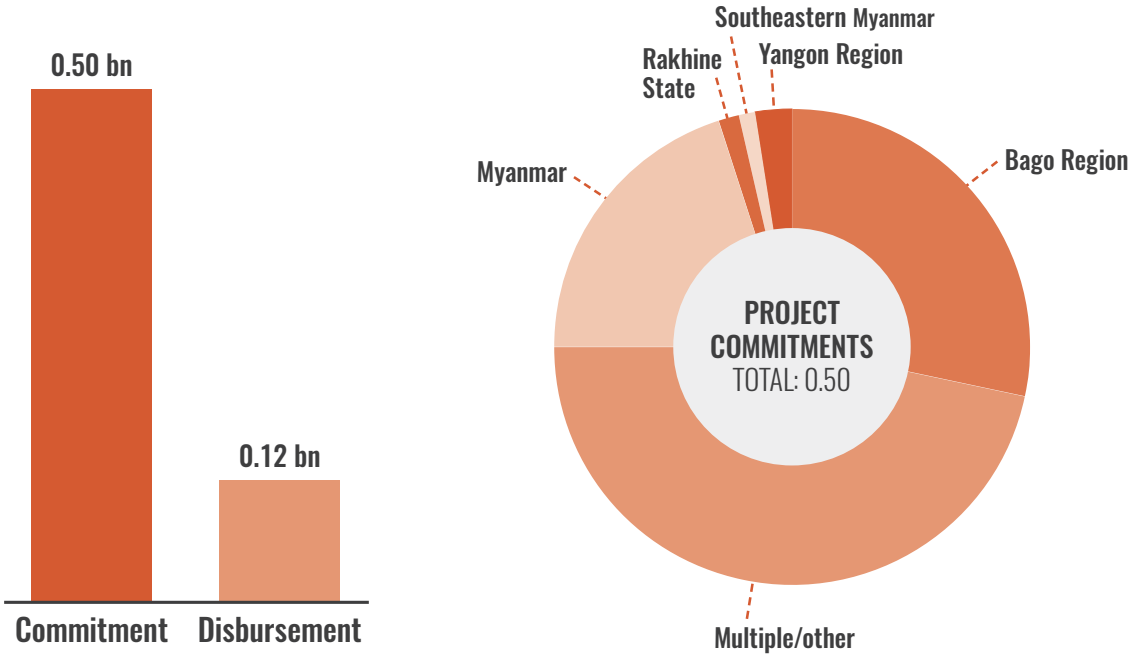
Rural development

"Rural development" refers to a wide range of efforts to improve the living standards of a country's rural population. While there is no rural development category in the OECD's sector-coding scheme, the language of rural development appears in both government and donor discussions of development priorities for Myanmar.[158] It is clearly an important issue for the country, where the population, and poverty specifically, are predominantly rural: approximately 70 percent of the population, and 76 percent of the population in poverty, lives in rural areas.[159] Furthermore, more than half of Myanmar's workforce works in agriculture.[160]

Responsibility for rural development lies with the Ministry of Livestock, Fisheries, and Rural Development, within which there is a specific Department for Rural Development. The creation of dedicated ministries or departments for rural development is common in developing countries with large rural populations, like India and Indonesia.[161] From 2013 to 2015, investments in the sector were guided by a dedicated Rural Development Strategic Framework.[162] This was complemented by more specific sectoral strategies for key areas of rural development, such as the Rice Sector Development Strategy.[163]

While it is difficult to measure rural-development assistance, because of its cross-sectoral nature, the agriculture sector is an important component. There were US$499 million in open commitments to the agricultural sector in Myanmar in November 2016, making it the fifth-largest sector in the country.[164] The financial structure of this sector is markedly different from transport and energy, where small-scale investments are generally not viable. In the agriculture sector, a small number of projects still dominate the financial figures—Japan's support for irrigation development in Bago Region and the World Bank's major agricultural-support loan to government—but there are also some 33 open projects with budgets that range from US$62,000 to US$27 million. Furthermore, while contributions to the Livelihoods and Food Security Trust Fund (LIFT) comprise a major part of donors' agricultural

FIGURE 21
Aid commitments, disbursements (left) and commitments by location (right) in the agricultural sector, November 2016



Source: The Asia Foundation Aid Data Verification Survey 2017

investment, the fund primarily works through subgrants to smaller projects.

The LIFT Fund is the most prominent donor vehicle for the alleviation of rural poverty. LIFT was founded in 2009, and has been financed through to 2018 with a total of US$445 million from 14 donors. The fund serves as both a mechanism for coordinating finance to agricultural projects and as a platform for research and technical assistance to government.[165] The LIFT fund has a three-part strategy: helping rural households to "step up" the value ladder through enhanced agricultural productivity, to "step out" of the agricultural sector and into more productive work, and when there is limited growth potential, to "hang in" with a strong agricultural safety net.[166]

Many donors have also launched their own agricultural- or rural-development projects: there are 14 distinct funding agencies active in the sector. The single largest project in the agricultural sector is US$142 million from Japan for irrigation improvements in western Bago Region. The World Bank provides US$100 million for its Agricultural Development Support Program, which supports the Ministry of Agriculture and Irrigation in irrigation and drainage management as well as farm advisory services.[167] The World Bank's NCDDP is also explicitly intended to improve the livelihoods of Myanmar's rural poor.[168] The flagship Korean aid project in Myanmar, Saemaul Undong, is specifically a rural-development program, and is financed with US$22 million.[169] The International Fund for Agricultural Development has provided a US$19.5 million loan for the sector, and was set to expand dramatically in 2017 with a further US$50 million in loans.[170]

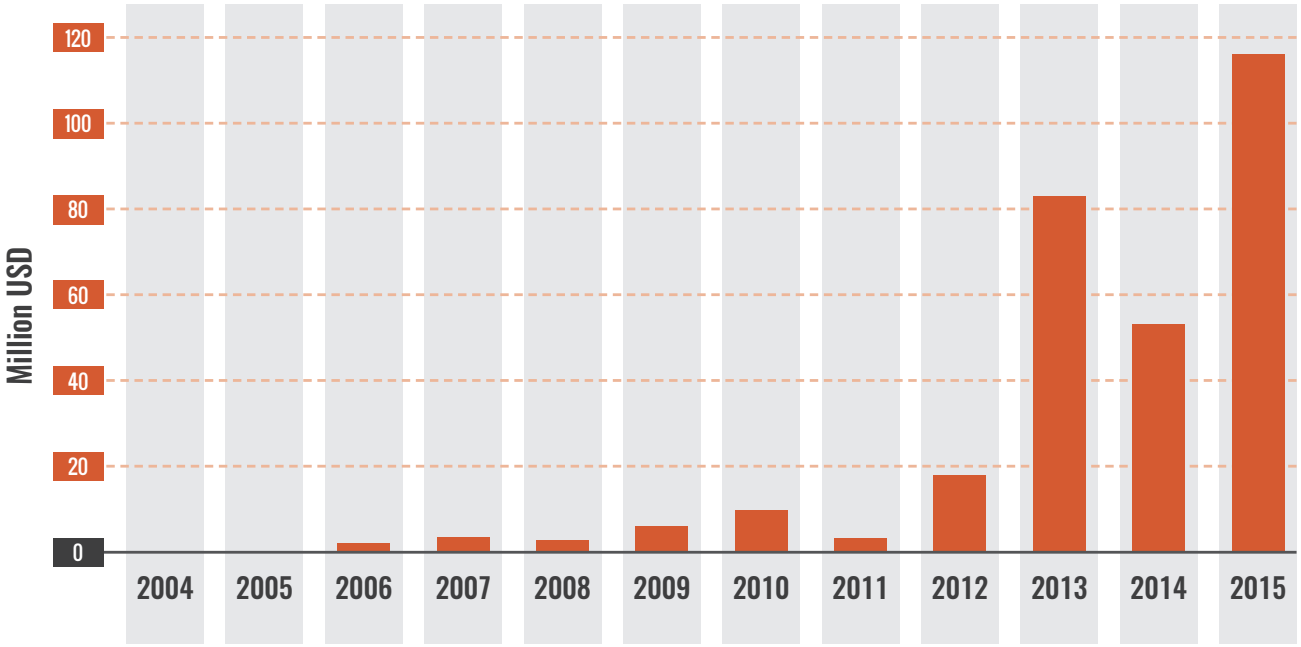
3.2 Peace and humanitarian aid

Peace and security assistance

The peace process and the improvement of security across the country have been priorities for both the government of Myanmar and the international community. Since the Thein Sein government reinvigorated the peace process in 2011, the international community has continually expanded funding for this sector, which reached US$116 million in 2015. In November 2016, US$272 million of commitments were open in the sector, of which US$100 million had been disbursed.[171] Note that, although this funding has expanded, the simultaneous increase of other assistance has kept the percentage of support allocated to the peace process relatively low, oscillating between some 1.3 and 3 percent of overall aid to Myanmar.[172] This is in line with the percentage of aid committed to peace and security globally.[173] While this may seem low, it reflects both the highly political nature of peace-process support and the nationally led nature of Myanmar's peace process.

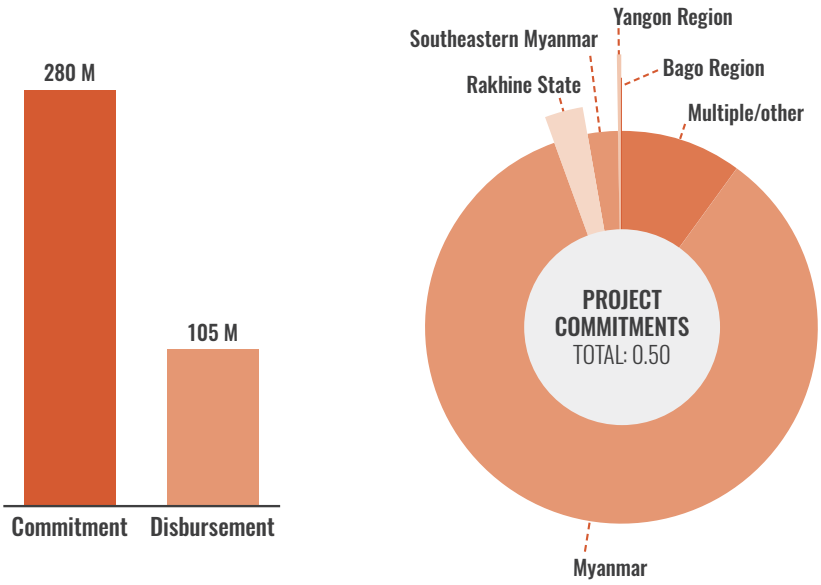
In the absence of significant international monitoring, peacekeeping, or postconflict reconstruction, aid

FIGURE 22
Commitments to conflict resolution, peace, and security, 2004-2015



Source: OECD Creditor Reporting System Aid Activity Database

FIGURE 23
Aid commitments, disbursements (left) and projects (right) to conflict resolution, peace and security, November 2016



Source: The Asia Foundation Aid Data Verification Survey 2017

agencies have limited options to support peace, and would struggle to disburse large volumes of funding.

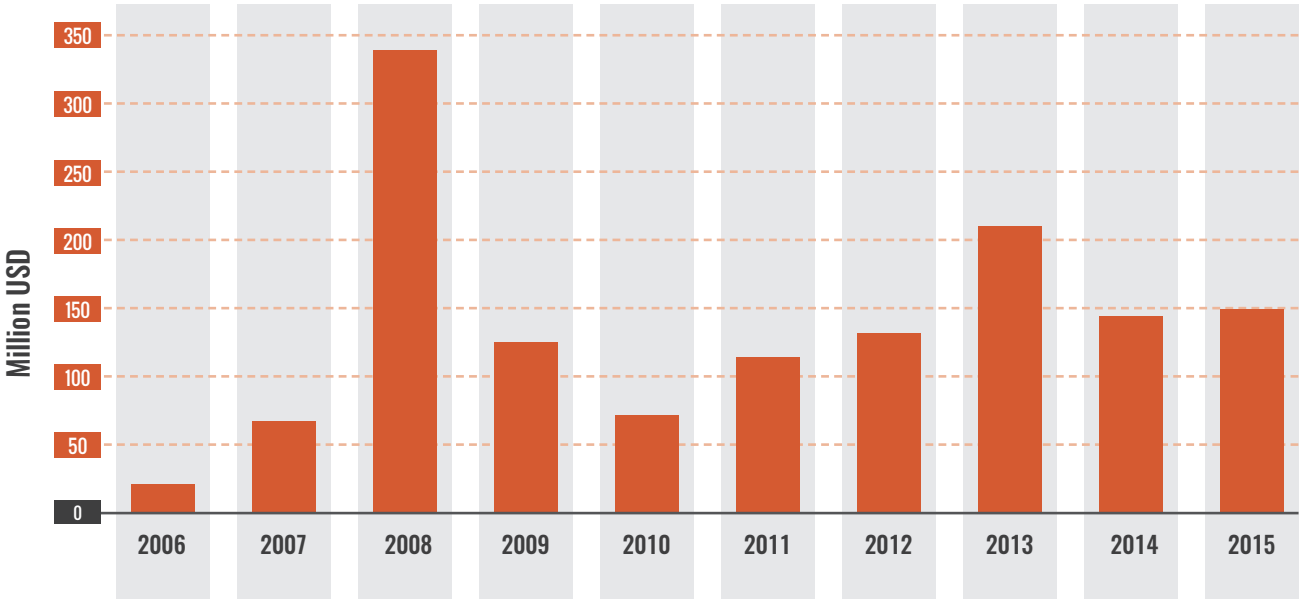
Aid in this sector is overwhelmingly routed through national projects, which constitute 84 percent of committed funding. Even when the number of projects rather than the volume of funding is considered, national projects still make up 50 percent of all activities, followed by projects in Rakhine State, at 16 percent.[174] Unlike sectors such as energy or health, where projects can genuinely aspire to reach immediate beneficiaries nationwide, the use of the "national" category for peace projects reflects the commitment of funding to flexible national platforms like the peace-related multidonor trust funds, or support for research and advisory programs with no specific geographical focus.

Currently, the most prominent international initiative to support the peace process is the Joint Peace Fund (JPF), a multidonor trust fund with support from 11 distinct donors and an approximate budget of US$100 million.[175] As a pooled fund, the JPF is intended to provide more-coordinated support to the peace process than was previously possible, and with an expected six years of operation, greater long-term engagement than is allowed by the typical posting length of aid officials and diplomats. The JPF has three main programming streams: peace architecture and direct support for negotiations, peacebuilding and initiatives that strengthen the peace process, and research and innovation. The fund makes an explicit commitment to promoting greater inclusion in the peace process—citing comparative evidence that this leads to more sustainable results—with particular support for the inclusion of women, youth, and conflict-affected communities.[176]

Further support is provided through the Paung Sie Facility (PSF), the UN Platform for the Joint Monitoring Committee, and several direct, bilateral initiatives. The PSF was established in 2014 by the United Kingdom, Australia, and Sweden and has an operating budget of US$6 million per year.[177] With the JPF assuming the mandate to support the formal dialogue process, the PSF's role has shifted to supporting a broader agenda of civil society inclusion, women's participation, and responding to intercommunal violence.[178] The UN Platform to Support the Joint Monitoring Committee is a separate body, intended to coordinate pooled funding and provide technical support to the secretariat of the highest national body engaged in ceasefire monitoring. As of mid-2017, the platform has been fully funded.[179] There are then a wide array of bilateral initiatives, with ten distinct donors active in this sector in November 2016. Many of these include direct work with conflict-affected populations in Myanmar's states and regions to address the consequences of historical violence or to transform underlying drivers of conflict.

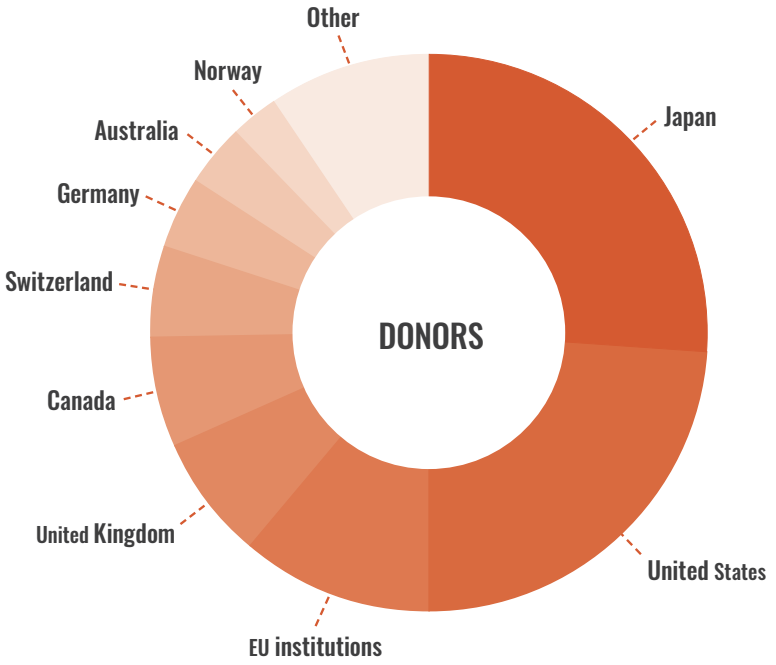
The NLD government has established the Joint Coordinating Body for Peace Process Funding (known by the truncated acronym 'JCB') to more closely manage this sector. This body met for the first

FIGURE 24
Humanitarian aid to Myanmar, 2006-2015



Source: OECD Creditor Reporting System Aid Activity Database

FIGURE 25
Donors to Humanitarian Sector in Myanmar in 2008



Source: OECD Creditor Reporting System Aid Activity Database

time on December 19, 2016.[180] Speaking at this meeting, Aung San Suu Kyi said that support would be allocated across four sectors: the ceasefire sector, the negotiation and dialogue sector, the peace-supporting development sector, and the peacemaking process of the National Reconciliation and Peace Centre.[181] She also expressed frustration with the international community's support for the peace process, by stating that funding must be allocated to sectors "based on the real situation rather than donor-oriented ones."[182] The JCB is structured with eight representatives of government and eight representatives of ethnic armed organizations, with Aung San Suu Kyi serving as the chair and having the tie-breaking vote.[183] The design and function of the JCB have been sources of concern for some actors working to support the peace process.[184]

Humanitarian aid

Humanitarian aid is specifically intended to alleviate suffering in cases of acute crisis, such as in response to natural disasters or violent conflict. Myanmar is a complex humanitarian context and has been a long-term

recipient of humanitarian aid. In response to political oppression and armed conflict, there have been camps along the border with Thailand since the early 1990s. Since violence restarted in the north of the country 2011, new humanitarian camps have been established in Shan and Kachin States. The protracted crisis in northern Rakhine State has proven to be a particularly severe humanitarian situation. Finally, Myanmar is one of the most disaster-prone countries in Southeast Asia, and significant resources are regularly needed for flood or landslide relief.[185]

The history of border-based and cross-border humanitarian work in Myanmar merits special explanation. Following mass displacement toward the Thai border in the early 1990s, the organizations involved in this work were typically based along the Thai side of the border and served Myanmar people either in camps in Thailand or by crossing into Myanmar themselves.[186] While most foreign governments were refusing the work with the Myanmar regime, many were funding communities along the border or elsewhere in Thailand.[187]

This dynamic started to shift with the changes in humanitarian response that accompanied Cyclone Nargis in 2008. There was a significant spike in humanitarian assistance that year, jumping to US$338 million from just US$67 million in 2007 (figure 24).[188] As shown in figure 25, the major donors to this response were the United States, the United Kingdom, and Australia, although technical coordination of the response was managed through the Tripartite Core Group, led by ASEAN alongside the government of Myanmar and the United Nations.[189] The response to Cyclone Nargis was relatively short-lived, however, and aid levels declined significantly in 2009 and 2010.

Nonetheless, it was following the Cyclone Nargis response that border-based organizations in Thailand started to perceive a transition to aid being providing by donors operating within the country. Their concern was exacerbated when the Norwegian government, long a donor to organizations based on the border, pulled support and began to move all their assistance inside the country.[190] Overall, while the same humanitarian organizations seem to have received significant support after they set up offices in Myanmar, the media and advocacy organizations formerly based in Thailand have suffered the sharpest budget cuts.[191] Nonetheless, for organizations that work in these border areas and may have to collaborate with nonstate armed groups to deliver assistance, the routing of assistance across the Thai border may be preferable. If organizations don't have to be registered in Myanmar and can operate with Thai bank accounts, the NGOs and the armed groups involved can both have greater confidence that their assistance will not be restricted by government for political purposes.

Following this transition to working within the country, the humanitarian sector in Myanmar has grown to become relatively large by regional standards, at approximately US$150 million in committed funding in 2015. While not approaching the scale of humanitarian funding in countries like Syria (US$1.7 billion in 2015) or South Sudan (US$862 million) for that year, Myanmar is the second-largest recipient in Southeast Asia, behind only Vietnam, which had a similar level of $167

TABLE 5
Funding requirements by cluster, 2017

HUMANITARIAN CLUSTER	REQUIREMENTS 2017
Education	7.1 million
Food Security	50 million
Health	16.5 million
Nutrition	14.1 million
Protection	20.2 million
Shelter/Non-food items/Camp coordination and management	20.3 million
Water, Sanitation, and Hygiene	17 million
Coordination and Common Services	5.1 million

million.[192] The next-largest was Thailand, with just US$66 million. The Myanmar Humanitarian Response Plan for 2017 allocates funds across three primary locations: Rakhine State, Kachin State, and Northern Shan State. Assistance is delivered with the help of 25 national NGOs, 34 international NGOs, and eight UN agencies. Within different clusters of humanitarian work, the greatest need for assistance is in basic food security, followed by protection, shelter, and nonfood items, as shown in table 6.

A core operational challenge faced by humanitarian actors can be securing access to crisis-affected populations, and this has been a long-standing issue in Myanmar. Organizations must have travel permits to access many of the areas where needs are greatest, and the government decides when such access will be approved. There have been several strong statements over the past twelve months urging the government to provide greater access. The violence that followed the attack on Myanmar police in Maungdaw Township in Rakhine State on October 19, 2016, for example, saw the suspension of all humanitarian organizations' right to work in the area, and calls for the reopening of these areas were a key part of the

Box 7
GPEDC monitoring framework, indicators for effective development cooperation

1. Development cooperation focused on results that meet developing countries' priorities.
2. Civil society operates in an environment that maximises its engagement in and contribution to development.
3. Private sector is engaged in and contributes to development.
4. Information on development cooperation is publicly available (transparency).
5. Development cooperation is more predictable.
6. Aid is contained in budgets that are subject to parliamentary scrutiny.
7. Mutual accountability among development cooperation actors is strengthened through inclusive reviews.
8. There is support for gender equality and women's empowerment.
9. Developing countries' systems are strengthened and used (effective institutions).
10. Aid is untied.

Box 8
Global policy on aid and development effectiveness

Understanding how to deliver better aid, and to better manage development cooperation more broadly, has been a high priority for the international community over the past two decades. For much of this time, the primary vehicle for the development of policy in this area was the OECD's Working Group on Aid Effectiveness, which arranged the foundational international conferences—the High-Level Forums on Aid Effectiveness—that outlined the core tenets of this agenda. Between 2003 and 2011, there were four High-Level Forums convened by the Working Group, each of which produced a distinct outcome document reflecting the conference's consensus view on improving aid effectiveness.

The culmination of this policy agenda was the Busan Partnership on Effective Development Cooperation, which came out of the Fourth High-Level Forum, in 2011, in the city of Busan, South Korea. The Busan Partnership reaffirms many of the commitments made in the outcome documents from the preceding forums in Rome, Paris, and Accra, but it also marks several important transitions. First, it formally signaled the transition from "aid effectiveness" to "development effectiveness," noting that aid is only one factor that drives development. Second, and partly as a consequence of the first, it places a greater emphasis on the need to engage with a broad range of actors in pursuing effective development cooperation, including the private sector and civil society. While the Busan Partnership contains a long list of commitments to action, it identifies four core principles as the foundation of effective development cooperation:

1. Ownership of development priorities by developing countries. Development partnerships can only succeed if led by developing countries, with approaches tailored to country-specific situations and needs.

2. A focus on results. Development efforts must have a lasting impact on eradicating poverty and reducing inequality, on sustainable development, and on enhancing developing countries' capacities.
3. Inclusive development partnerships. Mutual trust and learning are required among all development actors, which each have different and complementary roles.
4. Mutual transparency and accountability. Accountability between donors and government, as well as accountability to beneficiaries, is critical for delivering results.

The agreement also laid the groundwork for the post-Busan development-effectiveness agenda by transferring the role of the OECD's Working Party on Aid Effectiveness to the new Global Partnership on Effective Development Cooperation (GPEDC)—a working body committed to sharing knowledge and monitoring the Busan Partnership's implementation. With a joint OECD-UNDP secretariat, the GPEDC marks the transition to a more inclusive, UN-led approach. The GPEDC has arranged two high-level meetings since its inception: the first in Mexico City in 2014, and the second in Nairobi in 2016. While these meetings have been praised for being all inclusive and advancing thinking about development effectiveness, neither the Mexico Communiqué nor the Nairobi Outcome Document proposes a novel, normative framework to carry forward. Two monitoring rounds have occurred based on the four principles articulated above, in 2013/2014 and 2016. In a May 2017 strategic meeting, the GPEDC changed the focus of its two-year outlook, with greater emphasis on support for country-level development cooperation and for generating and sharing evidence of good practice.

TABLE 6
Monitoring round indicators for country ownership in Myanmar, 2016

INDICATOR	RESULT
Alignment in Targets	57%
Alignment in Results	56%
Use of Government Data	38%
Joint Evaluations	52%
Percentage on budget	44%
Budget	23%
Financial Reporting	23%
Auditing	23%
Procurement	19%
CPIA	3.5%
Untied Aid	88%

international community's response to the crisis.[193] In parallel, many organizations working in Northern Shan State have expressed concerns about restricted humanitarian access as conflict has intensified there.[194] International humanitarian organizations have long worked in partnership with national organizations in Myanmar precisely because the latter have greater freedom to travel, but some of the most recent travel restrictions have equally impeded these national actors' ability to reach people in need.[195]

3.3 Aid effectiveness

Better leveraging aid contributions will be a core component of effective development cooperation in Myanmar moving forward. As the current government gets further into its term, and with the core components of the country's new aid architecture increasingly consolidated, it is worth looking at international development-effectiveness standards to identify future priorities for Myanmar. Yet it is not necessary to start this assessment from scratch: an assessment of Myanmar's processes and structures can already be found in the GPEDC's Myanmar report for the 2016 monitoring round.[196] This monitoring is tied to the four principles articulated in the 2011 Busan Partnership Agreement for effective development cooperation and translated into 10 indicators, as shown in box 7. Though the GPEDC's assessment occurred before the NLD government's reforms to aid management, many of the findings are still relevant. The subsections below provide an initial assessment of current performance under the four principles from Busan, as well as a discussion of the relevance of a further set of guidelines for Myanmar—those on delivering aid in fragile and conflict-affected states.

The 2016 monitoring round found that Myanmar presents relatively low scores on the chosen measures of country ownership. This is partly a result of the incipient state of the relevant policy—development partners reported a lack of clarity about relevant objectives or results frameworks.[197] Development partners at the time were also largely circumventing government in the delivery of their aid: 11 of the 15 organizations surveyed for the monitoring round did

not channel any funding through government budgets. The report recommended that government and donors start dialogue on how to ensure more robust parliamentary oversight of development finance in Myanmar.

This comparatively low level of country ownership makes sense in historical perspective. As detailed in previous sections, aid has already moved much closer to these international standards for country ownership than it was in 2011. Some development partners remain hesitant, however. Given the presence of ongoing violent conflict to which the government is a party, complete alignment with government may prevent aid actors from serving some populations in need, or from maintaining their impartiality in supporting the peace process. In addition, though significant liberalization has occurred, some donors remain cautious about enabling the military aspects of the government. Budget support is ultimately fungible, and there is a risk that increasing donor funding for government programs enables continued funding for the Tatmadaw. Given the ongoing military influence in politics, some donors have suggested that it is important to understand "country ownership" as "ownership by national stakeholders" rather than "government ownership," and to incorporate inclusive, consultative processes to make sure all relevant national stakeholders have a voice in development cooperation.[198]

Inclusive partnerships for development

Two of the main features of the "inclusive partnerships" principle are the inclusion of civil society and the private sector in development cooperation. The 2016 monitoring report praises Myanmar's progress in both of these areas,[199] although other sources are less confident that adequate allowances have been made. As detailed above, the Cooperation Partners Group has established work streams to explore how further progress could be made in engaging civil society and international NGOs. For private-sector engagement, there were private-sector representatives at the last Myanmar Development Cooperation Forum under the previous government, but it is unclear how this is being carried forward.[200]

Gender empowerment is the other component of the inclusive-partnerships principle. Several aid agencies have taken steps to improve the impact of their aid programs on gender equality and to ensure that programs are reaching women and girls. There are several ways in which such integration can be managed, including the specification of gender-disaggregated indicators for the measurement of project performance, and the dedication of specific funding to gender-related programming. For the GPEDC monitoring round, the indicator measured is whether government tracks budgetary allocations to gender equality and women's empowerment. In the last monitoring report, there was no such component in the government's system.[201]

Transparency and accountability

Myanmar performed relatively well against this principle in the 2016 monitoring round, as donor's assistance was viewed as predictable (a positive outcome of aid being accountable and transparent) and there were strong systems in place for governments and development partners to hold each other to account. The report did note that medium-term predictability could be improved, however, as only 18 percent of development partners informed government of their plans more than one year in

Box 9
Requirements for mutual accountability

The Paris Declaration and the Accra Agenda for Action include commitments to joint assessments of mutual progress in implementing aid-effectiveness commitments. The Busan Partnership Agreement encourages the participation of all development cooperation actors in these processes, and the use of country-led frameworks to monitor progress. In the GPEDC monitoring framework,[202] this requires that at least four of the following five criteria be met:

1. The existence of an aid or partnership policy that defines a country's development-cooperation priorities
2. The existence of country-level targets for effective development cooperation for both the government of the developing country and the providers of development cooperation
3. An assessment against these targets that has been undertaken jointly by the government and providers at a senior level at some time in the previous two years
4. The active involvement of local governments and nonexecutive stakeholders in such reviews
5. The public release of comprehensive results of such exercises.

Box 10
Aid data and transparency in Myanmar

Regularly publishing aid data that is accurate and comprehensive is essential for the transparency and accountability of development cooperation. At the international level, the most prominent data source is the OECD's Creditor Reporting System (CRS) Aid Activity Database, established in 1973. This dataset provides a comparable dataset for all Development Assistance Committee (DAC) members, and it releases information annually, but with a lag of two years. Provided the time delay is not a problem, the CRS is the best resource for the comparison of aid flows across countries, or for accurate aggregated figures. As the data needs to be comparable across countries, however, there are limits to how closely it can be tailored to any individual country, so it is still worthwhile to collect data at the country level. Alongside the CRS, an important international source is the International Aid Transparency Initiative, though this is designed to be a reference source for project data, rather than to facilitate statistical analysis.

Within Myanmar, there are two primary data sources for understanding aid activities. The Mohinga Aid Information Management System (AIMS) for Myanmar is managed by the Foreign Economic Relations Department, though supported by donors. The AIMS uses a standardized reporting system in line with the OECD CRS, but reporting occurs at the country level, so the quality of the AIMS data depends on how frequently and accurately development partners update their information. The data collected for this report found that just four of the 21 donors estimated to be the largest in Myanmar had their full project portfolios available on the AIMS, leaving some US$2 billion of funding unreported. Nonetheless, the AIMS makes a large volume of information available through an intuitive online platform, a major contribution to transparency in development cooperation in Myanmar.

The Who, What, Where (3W) database contains information about aid projects across the country, though information is updated by implementing organizations rather than donors. It is published by the Myanmar Information Management Unit and updated every six months. The March 2017 3W data contains information from 218 organizations reporting on their activities across Myanmar, including 91 international NGOs, 60 national NGOs, 38 border-based organizations, 16 UN agencies, and eight Red Cross agencies. The 3W data includes detailed geographic information, allowing implementing organizations to identify the precise villages in which they are working, and is therefore useful for coordinating activities among organizations. Yet, as no financial data is recorded for the projects, it is difficult to gauge the scale of support offered in any given area or sector.

advance.[203] The DACU has likely increased the scope for mutual accountability, as it creates a platform for more regular high-level engagement between government and development partners. This dialogue has limited use for accountability unless more concrete plans and priorities are developed, however. As detailed in Box 10, below, the Aid Information Management System is also a powerful tool for transparency and accountability, though there is room for improvement.

Aid effectiveness in fragile and conflict-affected states

The distinct challenges of delivering aid in fragile and conflict-affected states have led to the development of a specific body of aid-effectiveness standards. The contemporary reference point for these discussions is the New Deal for Engagement in Fragile States, affirmed at the High-Level Forum in Busan in 2011 and summarized in box 11, below. These frameworks are intended to capture the distinct political complexities of working in environments where security is not always guaranteed, and where there are significant ruptures between different armed actors in a society. They recommend a combination of carefully negotiated political settlements and efforts to build state capacity as a path to transitioning out of fragility and pursuing peaceful and sustainable development. Myanmar is a complex case that does not necessarily trigger the international community's standard responses for fragile and conflict-affected states. The political transition has been relatively orderly, violence rarely affects the central urban areas of the country, and donors have established coordination mechanisms with government as is done in non-conflict-affected countries. Yet, for much of the country, conflict and fragility are real and pressing issues. Significant portions of the country remain under the control of nonstate armed groups, and current fighting in Kachin and northern Shan States is causing widespread displacement. The largest armed groups in the country have thousands of active-duty soldiers—as many as 30,000 in the United Wa State Army in eastern Shan State, for instance—and they clash with each other as well as with the

Box 11
The New Deal for Engagement in Fragile States

Recognizing the challenges of delivering aid effectively in fragile and conflict-affected states, and the risk that these countries could be left behind in global development, there have been dedicated efforts to improve global policy on development cooperation in these settings. The International Dialogue on Peacebuilding and Statebuilding (IDPS) is the primary forum for these policy discussions, and is jointly convened by:

- the G7+, a group of 20 fragility-affected countries;
- the OECD International Network on Conflict and Fragility; and
- the Civil Society Platform for Peacebuilding and Statebuilding.

The findings of the dialogue have led to the formulation of the New Deal for Engagement in Fragile States, which was presented to the Fourth High-Level Forum, in Busan, in 2011, and formally recognized in the Busan Partnership Agreement.

The New Deal has three primary components, summarized in table 8. The first component is five peacebuilding and statebuilding goals, expressing a vision of what should be promoted in fragile states. The second component is five new types of engagement, under the rubric FOCUS, which are to be applied in supporting country-led transitions out of fragility. The third component is five further principles, under the rubric TRUST, specifically intended to improve the management of aid in supporting these transitions.

Since the development of the New Deal, the G7+ has remained active in monitoring its implementation and advocacy for its adoption by development partners. A 2014 monitoring report found that adoption of the standards has been limited.[207] The fifth meeting of the IDPS, held in Stockholm in 2016, committed to reaffirming the New Deal principles, strengthening their implementation, and leveraging them to pursue the 2030 Agenda for Sustainable Development in fragile and conflict-affected environments.

TABLE 7
Components of the New Deal for Engagement in Fragile States

PEACEBUILDING AND STATEBUILDING GOALS	FOCUS	TRUST
Legitimate Politics	Fragility assessment	Transparency
Security	One vision, one plan	Risk sharing
Justice	Compact negotiated to guide decision-making	Use and strengthen country systems
Economic Foundations	Use peacebuilding and statebuilding goals to monitor	Strengthen capacities
Revenues and Services	Support political dialogue and leadership	Timely and predictable aid

Tatmadaw. Beyond the 20 armed groups seeking to participate in the current formal peace process, there are countless militias operating in different parts of the country.[204]

There are cases similar to this in many parts of Asia, where development assistance is provided as usual in much of the country, but where there are challenges in adapting to areas of subnational conflict.[205] It is important that aid agencies grapple with the challenges of providing meaningful assistance in such contexts, and not just continue with business as usual, failing to address conditions exacerbating conflict, or leaving large parts of the country behind as development moves forward. It is not sufficient to assume that improving economic conditions, or democratization of the central government, will ultimately end conflict or resolve the underlying issues in these areas.

Development actors in Myanmar have already devoted considerable reflection to these challenges. The standard New Deal prescriptions for statebuilding (box 11) need to be nuanced in the

Myanmar context, where many nonstate armed groups have significant current and historical roles in the governance of their territories. In these cases, the problem is not primarily that governance is irregular and underprovided—though it is—but that the right to govern is contested.[206] Recognition of the role of these groups in the provision of social services, for example, and working to build a pluralistic system that would accommodate them in future, could be an important component of peacebuilding in Myanmar. On the other hand, the simple expansion of state service providers into areas where nonstate armed groups have long had a key role in governance has been a well-documented source of local tensions.

Large-scale infrastructure investments have also been a particularly contentious form of development. There has been violence associated with the construction of large highways and hydropower facilities, for example.[208] These can be threatening to nonstate armed groups for strategic reasons, as they frequently increase the Tatmadaw presence in these areas. They are also easy to raise popular protest against, as they are frequently perceived as bringing little benefit to local populations. The IFC's strategic environmental assessment of the hydropower sector attempted to address these issues by explicitly exploring conflict concerns in its research process, but the issues proved so sensitive that the mere act of holding consultations provoked significant backlash in some cases.[209] Development agencies need to be highly sensitive to such tensions when planning new projects in Myanmar.

Many development organizations have adopted conflict-sensitivity frameworks to try and mitigate the risk that their interventions will exacerbate conflict. These frameworks typically emphasize extensive consultation, thorough assessments of the context, and incremental approaches as ways to minimize risk. Many funding agencies employ dedicated conflict advisors to provide strategic direction on these issues, and then build conflict-sensitivity requirements into funding agreements with implementing organizations. Nonetheless, some organizations argue that these frameworks are only invoked after the most sensitive decisions have been made—such as precisely what kind of project will be funded, and where—and that they tend to be applied only to projects that are physically implemented in conflict areas, even though projects in other areas frequently have significant conflict implications.[210]

Further research and dialogue are required if development cooperation in Myanmar is to effectively grapple with the challenges posed by the country's peace and security situation. The Cooperation Partners Group's new development, humanitarian, and peace work stream should provide a useful platform for improving collective donor thinking on these issues, but there also need to be resources dedicated to each of the sector coordination groups, and greater resources committed to coordinated planning and implementation at the state and region levels, given the local complexities of these issues. Myanmar's history of relative isolation, and the restrictions on travel to many of the conflict-affected areas, mean more research and analysis are required in general to understand how these issues are manifested across the country. Engagement then needs to take place not just with government but with the armed groups, to determine what development cooperation should be prioritized and what processes selected to govern it.

3.4 Neighboring aid providers

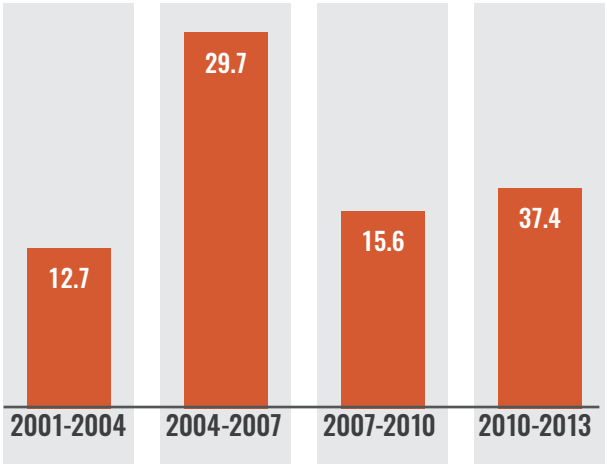
Improving development cooperation in Myanmar will require close engagement with neighboring countries. While the assistance provided by China, India, and Thailand may not be technically classified as ODA, these countries are all important aid actors in Myanmar, and the need to better understand and engage with them is frequently highlighted by OECD donors in the country. So far, however, participation by these countries and other nontraditional donors in formal coordination structures has been limited, despite efforts by both traditional donors and government to promote it.[211] Both groups must make efforts to better collaborate in assisting Myanmar to achieve its development objectives. The sections below provide an introduction to development cooperation in Myanmar by Thailand, China, and India.

Thailand

Thailand is an important neighbor for Myanmar, accounting for a large proportion of migration and investment flows. Development assistance from Thailand comes predominantly through the Neighboring Countries Economic Development Cooperation Agency (NEDA), though Myanmar is also covered by some projects from the Thailand International Cooperation Agency (TICA).[212]

The primary focus of Thai assistance in Myanmar is currently the East-West Economic Corridor, of which Thailand has financed the section from Myawaddy, on the Thai border, to the town of Kawkareik, in Kayin State. A total of US$3.4 million was spent upgrading this section of road.[213] NEDA has also provided US$785,000 in technical assistance, including for a feasibility study of a power project in Yangon, and for the development of border-crossing facilities at Three Pagodas Pass on the Thai-Myanmar border. NEDA is also the Thai government agency collaborating with Myanmar on the development of the Dawei Special Economic Zone. In 2017, the Thai government announced it would be willing to loan

FIGURE 26
Indian Loans and Grants to Myanmar (in million US dollars)[225]



Source: Mullen 2013: 4

US$130 million to support the development of a road from Dawei to Thailand.[214]

China

China has an extensive history of aid engagement in Myanmar, though economic relations between the two countries have alternated between periods of cooperation and periods of tension since independence.[215] China was the first country to recognize the new regime following the events in 1988, and the two countries entered a relationship in which China gained access to Myanmar's natural and energy resources and strategic access to the Indian Ocean, while Myanmar relied heavily on China for political and economic support in the form of investment, trade, and aid.[216] While many other donors were pulling out of Myanmar in the early 1990s, China pledged its first major grant to Myanmar, worth US$8.9 million, in 1991. In 1993, China committed an additional US$8.6 million as an interest-free loan, and the Yangon-Thanlyin Bridge, constructed with a Chinese loan of US$29.1 million, was opened the same year.[217] Between 1997 and 2006, China provided US$24.2 million in grants to Myanmar, US$482.7 million in subsidized loans, and US$1.2 million in debt relief.[218]

There is no comprehensive record of Chinese aid to Myanmar since the transition began in 2011. The AIMS has a record of 13 projects since January 2011, totaling US$67 million in commitments.[219] Much larger amounts of money have been made available in loans to the government, loans which may not be as concessional as required to meet ODA standards, but which may be intended as development finance. A prominent example is a series of agricultural loans from the China Exim Bank, of which the Myanmar government accepted US$400 million in 2016, but considered rejecting another US$300 million on the grounds that the terms were not as good as other donors'.[220] This is only a small part of Myanmar's debt to China, however, which the International Monetary Fund estimates to have been US$1.5 billion in the 2015/2016 financial year, or US$4.3 billion if loans from Chinese financial institutions are included.[221] A further difficulty is that Chinese aid can come from different levels—the central government, the province, or the local government. In response to humanitarian issues in northeastern Myanmar, for example, the primary response may come from local government and civil society actors.[222]

India

Myanmar is a recipient of considerable grants and loans from the government of India, being one of only three countries for which India has laid out a comprehensive aid and development-assistance program.[223] Like many other donors, India has increased its commitment to Myanmar since the political transition started. As table 9 shows, Indian loans and grants to Myanmar more than doubled between 2007–2010 and 2010–2013. India has focused its loans and grants on large-scale infrastructure development, capacity building, and, to a smaller extent, health. Notable projects include the Trilateral Highway, which will connect India, Myanmar, and Thailand, and the establishment of the Myanmar Institute of Information Technology and the founding and expansion of the India-Myanmar Center for Enhancement of Information Technology Skills. Large loans have also been directed towards the modernization of agriculture.[224]

Concluding Observations

Six years into political and economic reform, Myanmar today is a major recipient of international aid. This report attempts to capture and explain some of the complexity of aid provision in contemporary Myanmar, a context that affords both considerable opportunity and significant risk. Myanmar's recent history of limited cooperation is distinct, and government and cooperation partners have done well to forge the current system from this base. Evolving from the region's smallest recipient of aid per capita to one of the largest required significant effort on both sides. Although questions remain about how to ensure that aid reinforces the democratic transition and the peace process, millions of people across the country are now benefiting from better health, education, and infrastructure with the help of international development partners. While support for civil society needs to be maintained, the growing assistance provided through the government is helping to modernize the bureaucracy, ensure universal access to social services, and encourage practices of participatory, people-centered development planning. Yet this can only be the beginning, as much further work is required to navigate the challenges that remain and deliver results for Myanmar's poor.

Today, the aid system in Myanmar resembles that of many countries in the region—with many of the same challenges. There is a large and diverse body of aid providers, not all of them major contributors, that government must work with to define a strategic direction. Aid volumes also remain small compared to the national economy and to government expenditure, and need to be thoughtfully targeted for maximum impact. Donors also have a tendency to focus aid on easily accessible areas in and around Yangon, and care must be taken to promote development for Myanmar's remote and rural populations. While Myanmar's external public debt remains within safe limits for now, parliament will need to continue its oversight of government lending decisions and push back on options that do not offer the best returns for Myanmar's people.

Three broad areas of aid policy will require particular attention in the future:

1. Establishing a vision and strategy for Myanmar's development. While more rigorous sectoral planning will help, the lack of a comprehensive national development plan significantly limits the ability of development partners to contribute. While a single planning document may be overambitious, there needs to be some framework that supersedes sectoral planning and gives all actors an understanding of relative priorities, and of important cross-sectoral issues such as gender, armed conflict, and ceasefire areas. It is legitimate for the new government to propose its own vision if it does not wish to use the existing National Comprehensive Development Plan, and all cooperation partners understand that developing an alternative would take time. Given this, simply clarifying the government's intentions regarding which sectoral plans are still applicable and where new policy would be drafted would facilitate more coordinated and strategic development cooperation.

2. Improving development cooperation around the peace process. While some cooperation partners have largely avoided conflict areas in Myanmar, violence and insecurity continue to affect large portions of the population and are a considerable constraint on development. It will take many years for this conflict to significantly diminish, and cooperation partners need to think strategically about how they intend to promote equitable improvements in living standards under these conditions, and what forms of development they are willing to support. Dedicated support for the peace process is important, but in the interim there needs to be closer collaboration between the development and the peace-and-security communities to improve understanding of how to provide assistance that supports peace.

3. Building common understanding and collaboration among all cooperation partners. One of the great opportunities afforded to Myanmar is that so many governments have stepped forward to offer assistance. Yet, for development cooperation to be coordinated and oriented toward the same strategic, national objectives, these actors need to talk with one another and engage in dialogue with the government together. Transaction costs for government are high when support is too fragmented, and this reduces the volume and quality of aid programming. Recognizing this, government needs to exert pressure on all cooperation partners to work through common channels. It is also incumbent on OECD donors, particularly Western donors, who to date have played the leading roles in the formal coordination architecture, to reach out to other cooperation partners—informally, and through dedicated formal mechanisms where possible. This

may involve supporting third parties, such as NGOs, to convene dialogue that brings donors together. Yet, at the same time, cooperation partners who are currently disengaged need to recognize the hidden costs of not engaging with others, and that they will have greater impact by coordinating with other government and cooperation-partner initiatives.

These three points are just a sketch of improvements that could be made, but they can be a useful starting point for the important task of improving development cooperation in Myanmar. While Myanmar has come a long way since 2011, it remains one of the poorest countries in the region, with significant conflict and governance challenges and critical deficits in infrastructure and social services that still need to be addressed. Yet, in November 2016, there were US$6.3 billion in unspent aid commitments in Myanmar, and cooperation partners have continued to commit more money since then. While the foundations for development cooperation may now be in place, it is the vigor with which government and cooperation partners work to improve policy now, and the quality of the solutions to the challenges detailed above, that will determine how many of Myanmar's people are lifted out of poverty in the years to come.

Annex A

Methodology for aid-verification survey

In order to meet the data needs of this project, an independent aid-verification survey was conducted. The OECD CRS Aid Activity Database had only been released for 2015 at the time of the study, and Myanmar's Information Management Unit's' 3W dataset did not have the financial data required for the project. While the AIMS collects data of the type required for the project, without means to confirm when each funding agency had last updated their data, there were concerns that coverage would be incomplete. For this reason, it was decided to verify the AIMS figures for the major donors operating in Myanmar. Based on the project timeframe, it was decided that this survey should focus on projects under implementation in November 2016.

The form created for this verification exercise was based on the AIMS data that can be downloaded for each development partner, which is in turn based on the reporting directives of the OECD. Given expectations of reporting fatigue among donor organizations, a simplified version of the form was circulated, with only eight fields.

A long list of 25 donor agencies was assembled for the survey, from estimates based on OECD and AIMS data. Of these, core contributions from two UN agencies were ultimately not included in the dataset. Discussions with the Indian embassy confirmed that it would not be feasible to report Indian development cooperation in the format required for the survey, though narrative summaries of projects were available on the embassy website. The relevant staff at the Chinese embassy could not be reached for discussion within the project timeframe.

The remaining 21 donor agencies completed the form that our team sent to them. Donors received the form in the first week of November, and data collection was completed in May 2017. Of the 21 agencies, seven requested that we use their AIMS data, while the remaining 14 provided new data for inclusion. Data represents best estimates and may not fully represent cooperation partner's funding to Myanmar.

Annex B

Introduction to OECD terminology

What counts as official development assistance?
In the OECD system, the measure of aid is called official development assistance (ODA).
ODA flows are defined as aid flows, to countries and territories on the DAC list of ODA recipients and to multilateral development institutions, that meet the following criteria:

1. They are provided by official agencies, including state and local governments, or by their executive agencies.
2. Each flow transaction is

    (a) administered with the promotion of the economic development and the welfare of developing countries as its main objective;
    (b) concessional in character. In DAC statistics for bilateral loans to the official sector, this implies a grant element of at least
        - 45 percent in the case of loans to least-developed countries and other low-income countries (calculated at a discount rate of 9 percent);
        - 15 percent in the case of loans to lower-middle-income countries (calculated at a discount rate of 7 percent);
        - 10 per cent in the case of loans to upper-middle-income countries (calculated at a discount rate of 6 percent).[226]

While *official development assistance* is a broad term, it does exclude some forms of cooperation between countries. The finance must be supplied by an "official" source—a country government or multilateral development institution. It does not include private charitable donations made by individuals, which are called private flows. The second criterion excludes a range of other official international financial transfers, which the OECD DAC system classifies as other official flows. These include export credits or support for private investments, military aid, and cultural exchanges that have no element of capacity building.

An important subset of ODA is country-programmable aid (CPA). This excludes ODA that may never actually make it to developing countries, including administrative costs and core funding to NGOs based in donor countries. It also excludes aid that is not part of cooperation agreements between governments, such as when local governments independently commit resources to a neighboring country. It also excludes aid that can't be planned on longer-term timeframes, such as humanitarian assistance. Measuring CPA is useful for actors working at an individual country level, particularly for planning by government.

Who provides aid?

An important initial distinction is between aid from bilateral and aid from multilateral sources:

- **Bilateral aid** is provided directly from the governments of other countries, often through a dedicated aid department such as the U.S. Agency for International Development (USAID), or the UK Department for International Development (DFID).
- **Multilateral aid** is provided from the budgets of intergovernmental international organizations, such as the European Union, the World Bank, and the Asian Development Bank. While all multilateral aid organizations receive their funding from bilateral donors, these funds must be pooled under that organization's management, strictly limiting how much bilateral donor agencies can control the flow of finances after the commitment to the multilateral organization has been made. Funding that is disbursed through multilateral organizations but earmarked by the original donor is regarded as bilateral.

Globally, most ODA is provided through bilateral channels.[227] There are a range of reasons that donors choose a combination of bilateral and multilateral channels for their aid. Bilateral channels are more sensitive to specific political and economic interests of providing countries, and this can have negative consequences for their total development impact. Recipient countries may prefer multilateral channels, as they are less closely associated with political or neocolonial interests. A major survey conducted in 2015 found that officials of recipient governments consistently rated multilateral donors higher on the usefulness of their advice, their ability to set a positive development agenda, and their helpfulness in project implementation.[228] Multilateral organizations also provide

a platform to prevent the fragmentation of assistance, though there is limited evidence that they are more efficient.[229]

How is aid financed?

Donors also have different financial instruments they can use to deliver support to the recipient country. Three broad categories capture the majority of aid flows:[230]

- Grants are transfers, in cash or in kind, in which the recipient incurs no debt.
- Debt Instruments are financial transfers that create a legal debt for the recipient, including loans, reimbursable grants, bonds, and securities.
- Debt relief uses debt cancellation or reorganization to reduce the recipient country's overall burden of debt.

Grants have historically been the primary form of development assistance provided by OECD donors: of the US$191 billion committed in ODA in 2015, US$126 billion was in the form of grants, and only US$63 million in the form of new loans.[231]

There has been controversy in the past about the extent to which indebted recipient countries are hamstrung by debt repayment.[232] The World Bank and the International Monetary Fund now maintain a commitment that developing countries will never face a debt burden they cannot manage, and have systematically reduced the debt burden of many developing countries through programs like the Heavily Indebted Poor Countries Initiative. Nonetheless, there has been greater pressure recently for some OECD members to increase the loan component of their portfolios, particularly in middle-income countries where repayment should be less of a burden.[233]

How is the money spent?

Donors need the assistance of an implementing partner to achieve the goals of their aid programs. (Some implementing partners may ultimately disburse the funds by transferring them to other partner organizations). The OECD's reporting framework for channels of delivery recognizes seven categories of implementing partner:

- public sector institutions
- nongovernmental organizations and civil society
- public-private partnerships and networks
- multilateral organizations
- universities, colleges, and other teaching institutions, research institutes, and think tanks
- private sector institutions
- other

Donors consistently choose to channel aid through nonstate recipients in countries where governance is poor, suggesting that donors are choosing recipients selectively to minimize waste and maximize results.[234]

There OECD also collects data on a variable called the type of aid. As shown in table 10, the majority of aid is distributed through project-type interventions, in which there is a clear specification of how the funding will be spent and what outputs will be achieved, though there are six other types captured in the data:

- **Budget support**. The donor relinquishes exclusive control of the funds by contributing them to the government budget. These can be further classified as sector-specific or general, nonearmarked contributions.
- **Core contributions**. The donor relinquishes exclusive control of funds by contributing them to other organizations. These may be NGOs, multilateral institutions, or pooled-funding mechanisms with other donors.
- **Project-type interventions**: A project is a set of inputs, activities, and outputs, formulated in agreement with the partner country to achieve specific objectives or outcomes within a specified budget and time frame.
- **Experts and other technical assistance.** Project-independent technical expertise is provided in the form of personnel, training, and research.
- **Scholarships and student costs.** Financial aid is provided for individual students studying in the donor country.
- **Debt relief.** Debt relief encompasses all forms of debt reduction, including forgiveness, conversions, swaps, buy-backs, rescheduling, and refinancing.[235]

TABLE 8
Types of Aid by ODA Commitment, 2015

TYPE OF AID	MILLION US $
Budget support	14,323
Core contributions and pooled programmes and funds	22,113
Project-type interventions	124,221
Experts and other technical assistance	6,521
Scholarships and student costs in donor countries	2,948
Debt relief	641
Administrative costs not included elsewhere	8,796
Other in-donor expenditures	12,631
TOTAL	191,517

The type of aid that attracts the greatest debate is budget support, whereby the control of donor funds is relinquished entirely to the recipient government. Though other forms of assistance can be implemented by government and appear on the government budget, it is only with budget support that control of the funds is entirely relinquished by the donor. Budget support is considered an effective way to promote country ownership and sustainability of development assistance, but it is not always clear when governments are well positioned to spend that money effectively.[236] A 2012 review of DFID's budget-support operations, for example, found that the effectiveness of budget support varied significantly depending on the recipient country, and that there were signs of bias towards optimism regarding the recipient country's commitment to proper public financial management.[237]

What limits are placed on how the money can be spent?

The spending of aid can be limited by whether it is tied or untied. Aid that is tied comes with conditions on how it can be spent—typically requiring labor or materials to be sourced from the donor country. Untied aid comes entirely free of these conditions. Pushing for the untying of aid is considered a significant opportunity for improved efficiency by many international-aid policy organizations.[238] From 2001 to 2008, efforts to untie aid saw untied commitments rise from 46 percent to 82 percent of all ODA.[239]

What is the purpose of the spending?

The final feature for understanding different forms of aid is the idea of sectors.[240] The OECD coding system is a hierarchical set of five-digit codes. The first three digits of these are specified as the DAC 5 code in the codebook, while the full five digits constitute the CRS code. For example, while the code 110 corresponds to Education, and 120 to Health, any number i between refers to a subset of education, such as 112 – Basic Education (table 11).

Note, however, that this system will remain imperfect for understanding the intention behind any individual aid commitment, and closer evaluation at the project level would be necessary to understand the specific objectives and outputs intended for a given project. In particular, though OECD reporting only allows for a single sector to be nominated, many projects are relevant for multiple sectors, so selecting only one sector for the project can be misleading.

In order to better capture some of this complexity, the OECD also maintains a policy-marker field beyond the purpose codes. These markers exist to capture whether a project either directly or indirectly seeks to promote various policy outcomes such as gender equality, climate change adaptation, or trade development.[241] Each marker allows the user to specify whether that policy objective is a principal objective of the project, a significant objective, or not targeted in the project's design.

TABLE 9
Example of OECD Purpose of Aid Classification

110 - Education	112 - Basic Education	11220 - Primary Education
		11230 - Basic life skills for youth and adults
		11240 - Early childhood education

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