

STATE AND REGION GOVERNMENTS IN MYANMAR

New Edition
October 2018

POLICY BRIEF



The Asia Foundation

INTRODUCTION

In September 2013, The Asia Foundation published its first report on Myanmar, *State and Region Governments in Myanmar*. The report provoked a great deal of interest in subnational governance from government, civil society, donors, and development partners. Since then, 38 reports from the Foundation have looked in greater detail at issues of subnational governance, peace and conflict. This new edition of the report, published five years after the original, provides a much needed update on the structures and functions of subnational governance in Myanmar, identifying the key political, administrative, and fiscal opportunities and challenges presented by decentralization. The report supports a better informed, more technically grounded debate on the critical issues of subnational governance necessary to strengthen ongoing policy and reform processes here in Myanmar, including the all-important peace process. For the full report, please visit: www.asiafoundation.org/publications

WHY IS DECENTRALIZATION IN MYANMAR IMPORTANT?

Subnational governance is critical to the future of Myanmar and, like so much in the country, is undergoing rapid and significant change. The 2008 Constitution introduced new institutions and actors, most notably creating state and region governments, and began a process of decentralization that has the potential to significantly change the lives of people across Myanmar. Decentralization is important because of its effect on:

- **The peace process:** Myanmar's hope for ending its long-running internal conflicts lies in peace processes intrinsically linked to an improved subnational governance system. While the system established by the 2008 Constitution will not be sufficient for peace, with consensus amongst Nationwide Ceasefire Agreement signatories that a future system be based on federalism, the process of decentralization can serve as a critical stepping stone. The peace process and constitutional reform and the political process of decentralization under the 2008 Constitution are not mutually exclusive.
- **Economic development:** Myanmar's state and region governments have the potential to provide more efficient and responsive public services and infrastructure in a country where economic growth has been slow and the quality of public service delivery has typically been poor.
- **Deepening democracy:** Governments at the subnational level that are accountable, participatory, and transparent can give people more power and influence in the formulation and implementation of laws and policies, deepening democracy in Myanmar.

However, the positive effects of decentralization are not guaranteed. Decentralization may not deliver the expected benefits if local governments are not effectively empowered to take on, or held accountable for, their greater responsibilities.

WHAT IS DECENTRALIZATION?

Decentralization is typically defined as the “**transfer of authority and responsibility for public functions from the central government to subordinate or quasi-independent government organizations,**” (Litwack and Seddon, 1999). It is a process rather than an end product, and it involves changes both in local governance structures, and in relationships between them and central governance structures. Beyond this definition, and placing greater emphasis on ensuring more efficient, responsive, and accountable public services, decentralization is “increasingly defined as **the empowerment of people through the empowerment of their local governments,**” (Boex and Yilmaz, 2010).

Decentralization can be divided according to three different dimensions:

Political decentralization involves the transfer of decision-making power and accountability to local levels. It often involves some form of *devolution*—the transfer of responsibilities to local governments that have been granted significant autonomy. In “democratic decentralization” these local governments are accountable to local populations through elections or other means. *Indicators include:* local political structure, including the roles and functions of different institutions and actors; the structure and quality of local electoral systems; the nature of political party systems; and local participation and accountability.

Administrative decentralization focuses on distributing managerial responsibilities (for example, for delivering a given public service) among different levels of government or administration. It may also take the relatively modest form of *deconcentration*, in which officials at lower levels are given more authority or discretion but remain accountable to their chiefs at the center. Decentralization could also be combined with the devolution of executive authority to local governments or with the delegation of functions to outside organizations. *Indicators include:* regulatory powers, local public financial management,

local human resources administration, and the administration of local public services.

Fiscal decentralization describes the way in which the expenditure responsibilities are assigned and corresponding resources are provided. These resources may be provided by deconcentrating control over central funds, or by devolving to local government a more comprehensive system of planning and budgeting supported by assignment of local revenues, central-local transfers, and possibly local borrowing. *Indicators include:* expenditure assignments, revenue assignments and local revenue administration, intergovernmental fiscal transfers, and local government borrowing and debt.

Key to ensuring the potential benefits of decentralization is ensuring that each of the three main dimensions of decentralization is balanced with the others, (Eaton and Schroeder, 2010). Consider a simple illustration: a highly decentralized local government, with elected ministers and a parliament, would be ineffective in delivering improved government services if it had no money to spend on service delivery. Here, political decentralization would be undermined by unequal fiscal decentralization.

MYANMAR'S SUBNATIONAL GOVERNANCE FRAMEWORK

WHAT IS THE LEGAL FRAMEWORK FOR DECENTRALIZATION?

Following independence in 1948, one of the defining features of the State in Myanmar has been highly centralized systems of governance (see Figure 1). The 2008 Constitution thus marks an important

development with the creation of new institutions, actors, responsibilities and powers at the subnational level. Figure 2 provides an overview of the structure of government in Myanmar. Figure 3 provides an overview of Schedule Two, which forms the basis of the legislative and administrative responsibilities of the state and region governments.

STRUCTURAL TRAITS OF SUBNATIONAL GOVERNANCE IN MYANMAR UNDER THE 2008 CONSTITUTION

A graded, territorial administrative system

- The Republic of the Union of Myanmar features a graded, territorial administrative system comprising seven states and seven regions, five self-administered zones and one self-administered division, and the Union Territory of Nay Pyi Taw.
- States and regions are made up of districts, which in turn are made up of townships. Urban wards and village tracts are grouped into townships.

A distinct level of government at the state/region level

- The 2008 Constitution created 14 state/region governments, with executives, legislatures, and judiciaries.
- The executive branch of a state/region government is led by a Chief Minister, appointed by the President.
- The legislative branch, consists of a unicameral, partially elected parliament, the state/region hluttaw.

Dedicated state/region government responsibilities

- The Constitution includes two dedicated schedules, schedules 1 and 2, that divide legislative and administrative responsibilities between the Union and state/region governments respectively.
- Schedule 5 outlines the revenues collected by state/region governments.
- Schedules 2 and 5 were amended and expanded by constitutional amendment in 2015.

Enshrined role of the military in state/region governments

- Myanmar's military, the Tatmadaw, has reserved places in both state/region governments (with a military-appointed Minister of Security and Border Affairs) and hluttaws (with 25 percent of seats reserved for serving military appointees).

No third tier of government below the state/region level

- The constitution does not include provisions for a third level of local government below that of the states/regions.
- Instead, there is a complex system of local governance with strong union government presence and an unclear relationship to state/region governments.
- Local administration is carried out by government agencies; there are typically more than 30 different agencies present at the township level.

Critical role of General Administration Department (GAD) in subnational governance

- GAD acts as the administration for the state/region governments.
- GAD administrators are central to all efforts to coordinate, communicate among, and convene other government actors at all levels of subnational governance.

FIGURE 1 A brief history of subnational governance in Myanmar

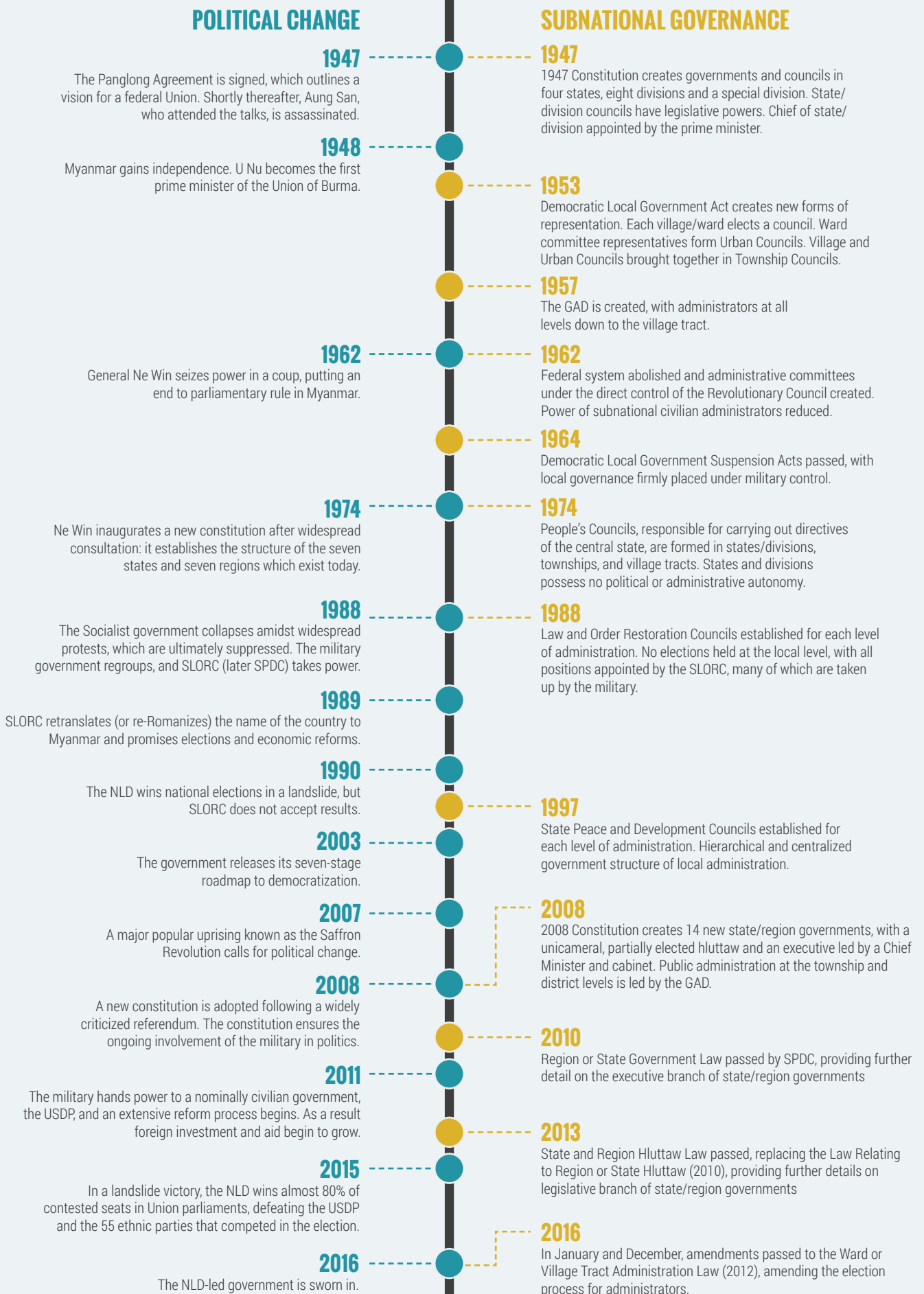
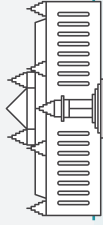


FIGURE 2 Structure of union and state/region governments

LEGISLATURE

Passes laws



Pyidaungsu Hluttaw (Union Parliament)

Amyotha Hluttaw
(Upper House / House of Nationalities)

224 Members of Parliament (MPs)

168 elected MPs
➤ 12 MPs per state/region

56 MPs nominated by Commander in Chief
➤ can be substituted during term

Speaker of the House & Deputy Speaker of the House

Committees/Commissions
➤ Nominated by Speaker for Hluttaw approval

Joint Committees
Must have equal numbers of MPs from Amyotha and Pyithu Hluttaws

Pyithu Hluttaw
(Lower House / House of Representatives)

440 MPs

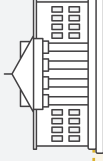
330 elected MPs
➤ elected on basis of township and population
110 MPs nominated by Commander in Chief
➤ can be substituted during term

Speaker of the House & Deputy Speaker of the House

Committees/Commissions
➤ Nominated by Speaker for Hluttaw approval

EXECUTIVE

Carries out laws



Union Government

President
➤ Elected by Electoral College of all Pyidaungsu Hluttaw MPs from the three Vice Presidents

State Counsellor
➤ Aung San Suu Kyi appointed to new role by State Counsellor Bill 2016

2 Vice Presidents
➤ 3 candidates elected (1 Amyotha, 1 Pyithu, 1 Military)
➤ Pyidaungsu Hluttaw votes

National Defense & Security Council

Finance Commission

Union Ministers
➤ Ministers nominated by Pres. from Hluttaw/
civilians
➤ MoHa, MoBA, and Ministry of Defense: Commander in Chief and President nominate active defense personnel
➤ Pyidaungsu Hluttaw approves

Attorney General
➤ Appointed by President
➤ Approved by Pyidaungsu Hluttaw

Auditor General
➤ Appointed by President
➤ Approved by Pyidaungsu Hluttaw

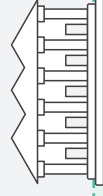
Deputy Ministers
➤ Same appointment process as Union ministers

Deputy Attorney General
➤ Appointed by President
➤ Approved by Pyidaungsu Hluttaw

Deputy Auditor General
➤ Appointed by President
➤ Approved by Pyidaungsu Hluttaw

JUDICIARY

Evaluates laws



Union Courts

Supreme Court
➤ Appointed by President

7-10 Judges
➤ Appointed by President with Chief Justice coordination

Constitutional Tribunal
Chairperson
➤ Selected from: 9 members
➤ Appointed by President

9 Members
➤ 3 Appt. by President
➤ 3 Appt. by Amyotha speaker
➤ 3 Appt. by Pyithu speaker

Courts Martial

State/Region Hluttaws

Total across all 14 state/region hluttaws:

879 Members of Parliament:
 > **Speaker of the House** & Deputy Speaker of the House
 > Selected from, and elected by, S/R MPs

659 elected MPs

- > 2 MPs per township
- > 1 MP/national race > 0.1% of S/R population

220 MPs appointed by Military

- KACHIN (53 MPs)
- KAYAH (20 MPs)
- KAYIN (23 MPs)
- MON (31 MPs)
- SHAN (137 MPs)
- MANDALAY (76 MPs)
- SAGAING (101 MPs)
- TANINTHARYI (28 MPs)
- CHIN (24 MPs)
- RAKHINE (47 MPs)
- YANGON (123 MPs)
- BAGO (76 MPs)
- MAGWAY (68 MPs)
- AYEYARWADDY (72 MPs)

State/Region Government

Chief Minister

- > Selected from state/region hluttaw MPs
- > Appointed by President
- > Approved by state/region hluttaw

Ministers

- > Appointed by Chief Minister
- > Approved by state/region hluttaw

Ethnic Affairs Ministers

- > Elected as "national race" representatives during hluttaw elections

Minister of Security and Border Affairs

- > Serving defense personnel
- > Appointed by Commander in Chief
- > Approved by state/region hluttaw

Chairperson of self-administered territories

- > Selected by members of Leading Body
- > Approved by President and Chief Minister

Advocate General

- > President and Chief Minister appoint
- > Approved by state/region hluttaw

Auditor General

- > President and Chief Minister appoint
- > Approved by state/region hluttaw

Executive Secretary

- > Head of state/region GAD becomes Secretary of state/region government

State/Region Courts

State/Region High Courts

Chief Justice

- > Appointed by President with Union Chief Justice and Chief Minister

3-6 Judges

- > Appt. by Chief Minister with Union Chief Justice

District Courts

Courts of the self-administered territories

Township Courts

FIGURE 3 State and region responsibilities under Schedule 2



FINANCE AND PLANNING SECTOR

- Region/state budget
- Local plan
- Taxes, such as municipal taxes and land revenues



ECONOMIC SECTOR

- Economic matters
- Commercial matters
- Hotels and tourism



AGRICULTURE AND LIVESTOCK-BREEDING SECTOR

- Agriculture and livestock breeding
- Freshwater fisheries
- Irrigation works



ENERGY, ELECTRICITY, MINING, AND FORESTRY SECTOR

- Electric-power production and distribution (medium and small scale)
- Small scale mines
- Environmental protection and conservation



INDUSTRIAL SECTOR

- Industries (other than Union-managed)
- Industrial zones
- Cottage industries



TRANSPORT, COMMUNICATION, AND CONSTRUCTION SECTOR

- Roads, bridges, and ports
- Private vehicles
- Water resources and waterways



SOCIAL SECTOR

- Basic education schools administration
- Hospitals and clinics
- Welfare of children, women, the disabled, the aged, and the homeless
- Museum, libraries, cinemas, and cultural heritage



MANAGEMENT SECTOR

- Development matters (municipal and urban services)
- Town and housing development
- Border area and rural development

STATE AND REGION RESPONSIBILITIES UNDER SCHEDULE 2



THE POLITICAL DIMENSION

THE EMERGING TRENDS IN POLITICAL DECENTRALIZATION

1. **The Union government plays an important role in shaping the state/region governments.** Ministerial appointments have largely replicated the dominance of the central governing parties, reinforcing the accountability of the state/region governments to the Union. The appointment of NLD chief ministers has created particular pressures in Shan and Rakhine, where the NLD is not the largest party in parliament. State/region ministers remain responsible to the Union government for their work, both legally and as a Union policy. There has been a clear tendency in both transition governments for the Union government to define the policies and priorities of the state/region governments.

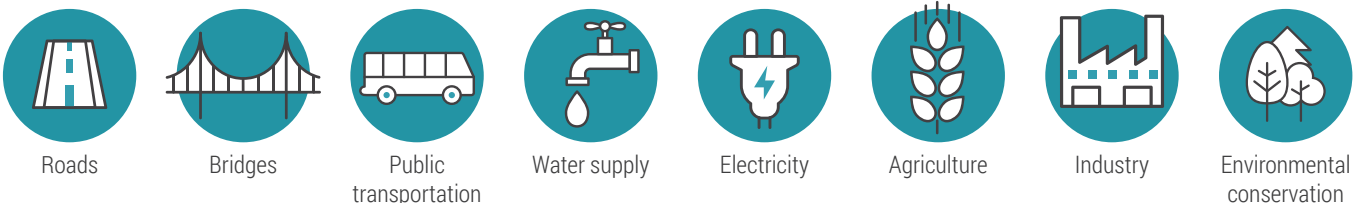
2. **State/region governments are taking on more responsibility.** As the 2008 Constitution becomes more securely entrenched in the nation's politics, state/region governments are more vigorously executing their responsibilities and taking on a broad range of new ones. They have consistently focused on regional development, with an emphasis on infrastructure; increasingly, they are assuming a leading role in defining this work. Beyond regional development, state/region governments under the NLD are now prioritizing the rule of law, most noticeably in their work to resolve land-rights issues. A number of state/region governments are also identifying new and novel areas of work that respond to local needs. Figure 4 provides an overview of these responsibilities.

FIGURE 4 State and region government priorities

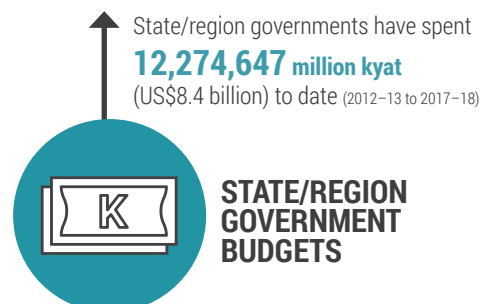
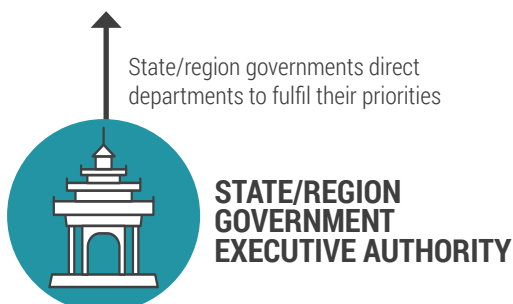
PRIORITIES

REGIONAL DEVELOPMENT

Support regional development through investment in infrastructure:



PROMOTING THE RULE OF LAW



3. State/region hluttaws are an important and diverse political space. Within the state/region hluttaws, the 2015 election and the peaceful transition from USDP- to NLD-dominated hluttaws were significant developments in the institutionalization of a new electoral and political-party space. The state hluttaws in particular have emerged as a place for significant representation and participation of different political parties, with 21 different parties represented, with close to one third of elected seats won by regional or ethnic parties. While further progress is needed, the tripling in the proportion of women representatives in the state/region hluttaws is also a positive development.

4. The role and influence of state/region hluttaws is increasing. Hluttaws are increasingly assertive in their oversight of the state/region governments, particularly in some state and regions, such as Yangon and Rakhine, and in relation to some issues, such as the annual budget. However, this increased assertiveness should be weighed against the frustration voiced by some MPs that party political sensitivities are limiting the ability of the hluttaws to hold to account members of the executive branch from the same party. Figure 5 provides an overview of the functions of the state and region hluttaws.

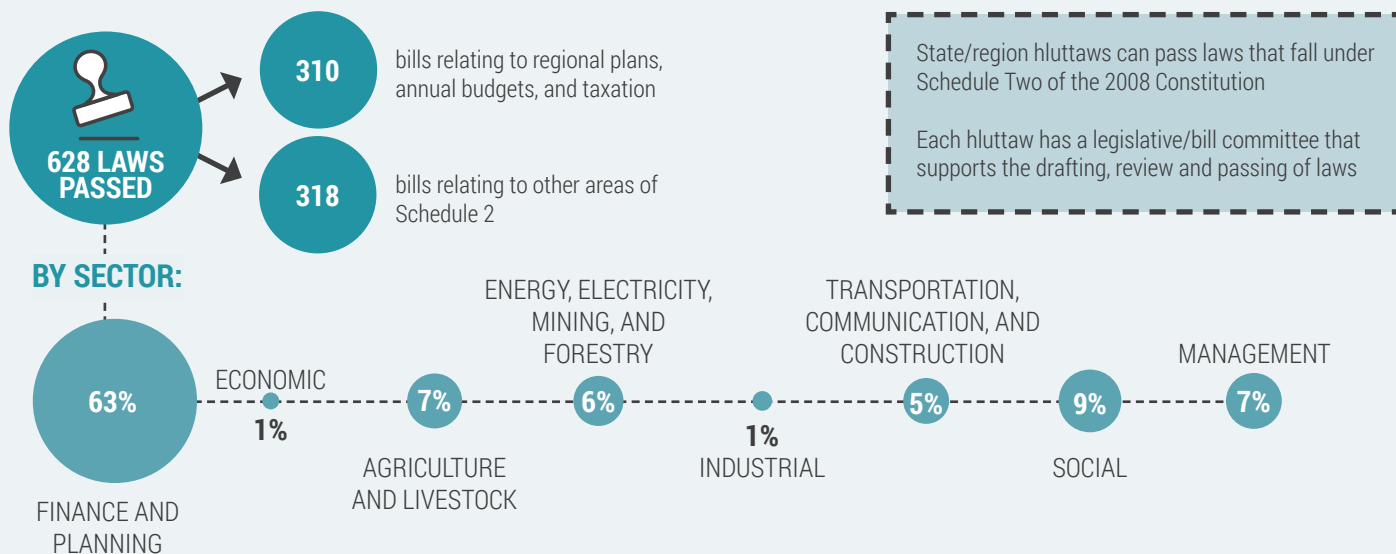
5. State/region hluttaw representatives are most active in representing their constituents. Representatives are spending an increasing amount of time working with other government actors, such as the GAD and planning departments at the local level, to ensure that the needs and concerns of their constituents are heard and dealt with. Hluttaws have been less active in developing and passing legislation. Nevertheless, there are examples of legislation that could have important implications for local people.

6. Union and state/region governments have prioritized efforts to make local governance more participatory and responsive to local needs. Below the state/region governments, local governance was not reformed by the 2008 Constitution, leaving existing arrangements for local administration and governance in place by default, limiting public participation and democratic accountability. However, the township and ward/village-tract levels have assumed growing importance under both transition governments, with efforts to ensure that government is more participatory and responsive to the local electorate. Under the USDP, efforts focused on increasing the role of committees, fostering public participation, and

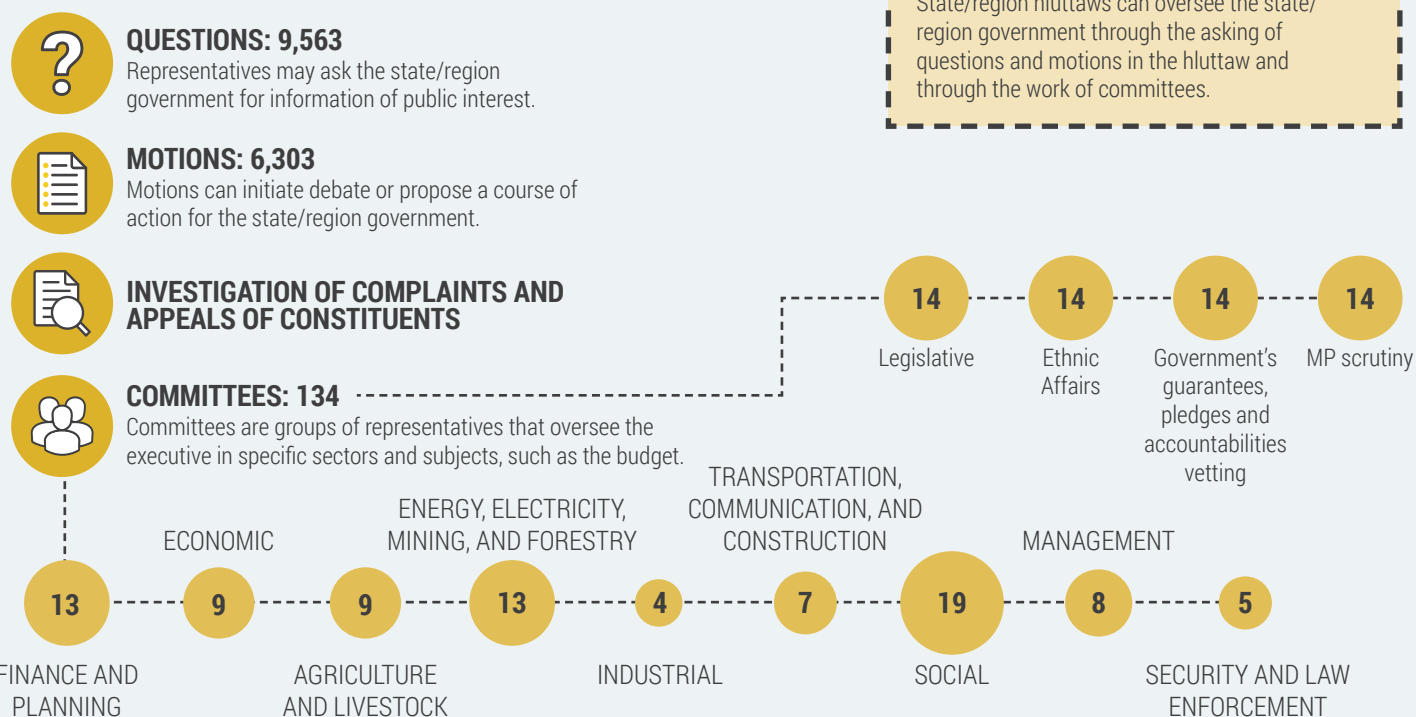
reforming the W/VTA. Under the NLD, greater participation and accountability are being pursued through the increased involvement of state/region hluttaw representatives at the local level.

FIGURE 5 Functions of the state and region hluttaws and their representatives

LEGISLATING*



OVERSIGHT OF THE EXECUTIVE*



REPRESENTING THEIR CONSTITUENTS



*Data on laws passed, questions, and motions is from the creation of state/region hluttaws until April 24, 2018

THE ADMINISTRATIVE DIMENSION

THE EMERGING TRENDS IN ADMINISTRATIVE DECENTRALIZATION

1. Three different accountability structures exist between state/region ministers and departments.

Interpretation and implementation of the 2008 Constitution has resulted in three different accountability structures between state/region ministers and the departments they are responsible for:

(a) Sole accountability to state/region government.

Departments whose responsibilities fall wholly under schedule 2, which are wholly funded by the state/region government, and which report exclusively to a state/region minister. The Department for Development Affairs, which oversees the work of Development Affairs Organizations, reports to the state/region minister for development affairs and is the only department that currently meets this criterion.

(b) Dual accountability.

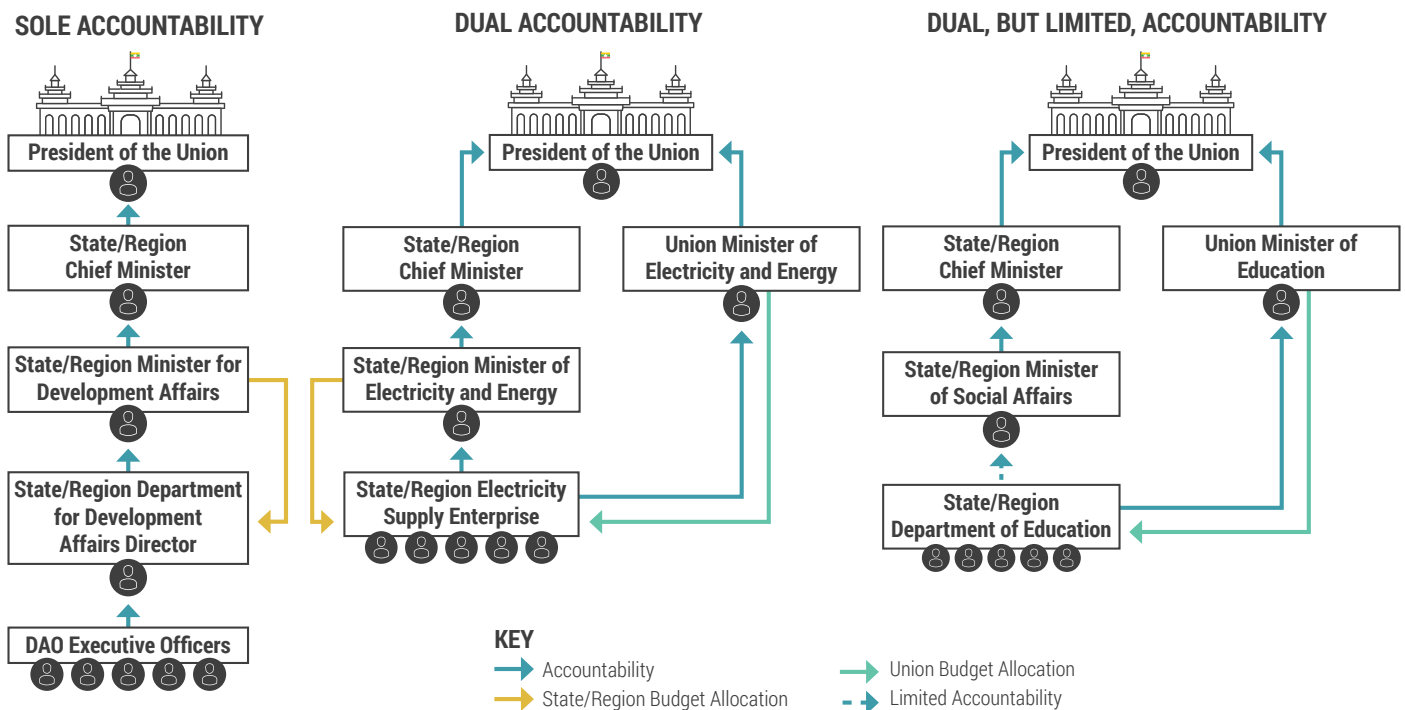
Departments that receive at least part of their funding from state/region budgets, and some of whose activities cover responsibilities laid out in schedule 2. For these departments, state/region ministers may “manage, guide, supervise and inspect” their work. The Roads, Agriculture, Electricity Supply, and Enterprise Departments and the GAD are notable examples.

(c) Dual, but limited, accountability.

Departments that are funded solely by the Union and are accountable to a Union ministry, but for which there is a corresponding state/region minister who performs a role of supervision, inspection, cooperation, and coordination in relation to the department’s work. The Health and Education Departments are notable examples.

Figure 6 provides an overview of the three accountability structures.

FIGURE 6 State/region government-department accountability structures



2. **Within the system of dual accountability, departments are increasingly accountable to state/region ministers.** While the majority of departments for which state/region ministers are responsible are part of Union ministries, resulting in a system of ministers without ministries, there has been a clear trend of departments becoming increasingly accountable to state/region ministers. Ways of working have developed that have permitted state/region ministers greater involvement in the work of departments, with ministers able to shape and influence their work. Even for those departments with limited accountability to state/region ministers, there is evidence of state/region ministers playing an increasing role in human-resource decision-making, policymaking, and planning and budgeting.
3. **Increasing accountability to state/region ministers is neither universal nor irreversible.** Despite the progress of states/regions and their departments in developing effective ways of working together, these successes seem, in large part, to be a consequence of the personalities, expertise, and politics of the state/region ministers, including the chief minister, the state/region department director, and Union ministers. There are still state/region ministers who feel their departments are not responsive to them. Fundamentally, the formal structures of accountability have not changed. Administrative decentralization is limited, as state/region ministers do not have their own ministries, with the exception of Development Affairs. If and when there are competing priorities, aims, and objectives between the states/regions and the Union, it will be unclear whom the departments are ultimately accountable to. Article 257 of the Constitution, which provides for state/region governments to form civil service organizations and appoint the required number of personnel, has yet to be fully explored. One notable exception is the creation of the Hluttaw Office, separate from the GAD, as an independent office working directly for the state/region hluttaws.
4. **Below the state/region level, there is a system of local governance without local governments.** While the Constitution did not create a third level of government, both the USDP and NLD transition governments have sought to strengthen the systems of local governance, primarily through the growing number of committees at different levels of administration. Under the USDP, the primary aim of the committees was to ensure greater public participation and responsiveness to local needs, as shown by the creation of Township Development Affairs Committees. While the NLD abolished the DSCs, the role of the TPFIC and Farmland Management Committees has grown. Greater participation and responsiveness is being pursued through the increasing inclusion of MPs in the work of the committees. Reforms to the ward/village-tract administrator have sought to strengthen democratic accountability. Below the state/region level, the GAD remains central to the functioning of subnational administration, as the ubiquitous coordinating presence.

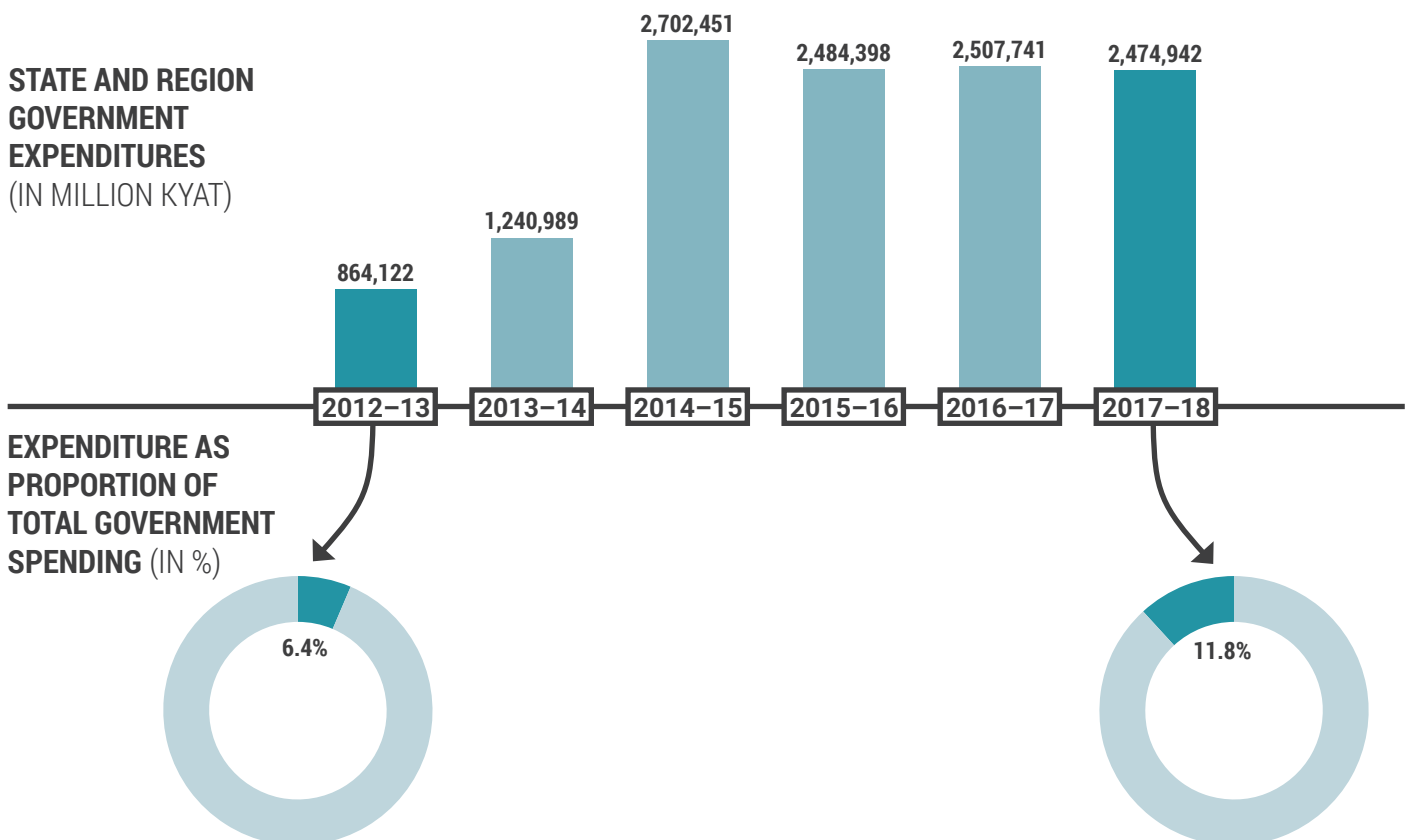
What is accountability? *Accountability exists when there is a relationship where an individual or body, and the performance of tasks or functions by that individual or body, are subject to another's oversight, discretion, or request that they provide information or justification for their actions.*

THE FISCAL DIMENSION

THE EMERGING TRENDS IN FISCAL DECENTRALIZATION

- 1. Significant increases in state/region government expenditure.** As figure 7 shows, Since the creation of state/region budgets, a significant step in decentralization in and of itself, state/region government expenditure has almost tripled, and it now comprises almost 12 percent of total government expenditure. While these numbers are still small, and budgets have not grown since 2014-15, they are evidence of further fiscal decentralization. Over the past fiscal year (2017/18), state/region governments were responsible for expenditure totaling over USD 1.8 billion (MMK 2,474,942 million), an amount guaranteed to have impact and influence.
- 2. State/region governments largely prioritize spending on roads, but expenditure is becoming more diverse.** State/region government expenditure has largely prioritized spending on roads, but expenditure is becoming more diverse,
- 3. Significant increases in revenue, funded largely by increases in fiscal transfers from Union government.** In line with rising state/region government expenditures, state/region government revenues have increased significantly. As figure 8 shows, the vast majority of this increase has been funded by fiscal transfers, however, rather than own-source revenues. Whereas states/regions once received the majority of their money from their own sources, the majority of their revenue now comes from the Union government. This may have important implications for state/region fiscal autonomy, as they are increasingly reliant on the Union government to fund their spending. On the other

FIGURE 7 Expenditure by state/region governments



Source: Union Citizen's Budget; MOPF; Renaissance Institute estimates.

hand, the majority of fiscal transfers come in the form of a grant transfer, over which the states/regions have full spending discretion (with the exception of the limits identified in the planning and budgeting process).

4. **Limited growth in own-source revenue.** It is notable that state/region own-source revenues have not grown significantly over the past five years. This raises questions of whether the states/regions are being sufficiently empowered and incentivized to increase their own revenues. No state/region has incurred significant debts through borrowing. While it is legally possible, there currently appears to be little appetite in the states/regions for borrowing, although the Yangon Region government is increasingly interested in exploring different financing options. Where borrowing does occur, it is likely that the Union-level MOPF will play an important role.
5. **Both the USDP and the NLD governments have attempted to make the planning and budget process more responsive and accountable.** Since the creation of the state/region governments, there have been sustained efforts to increase responsiveness, participation, and accountability

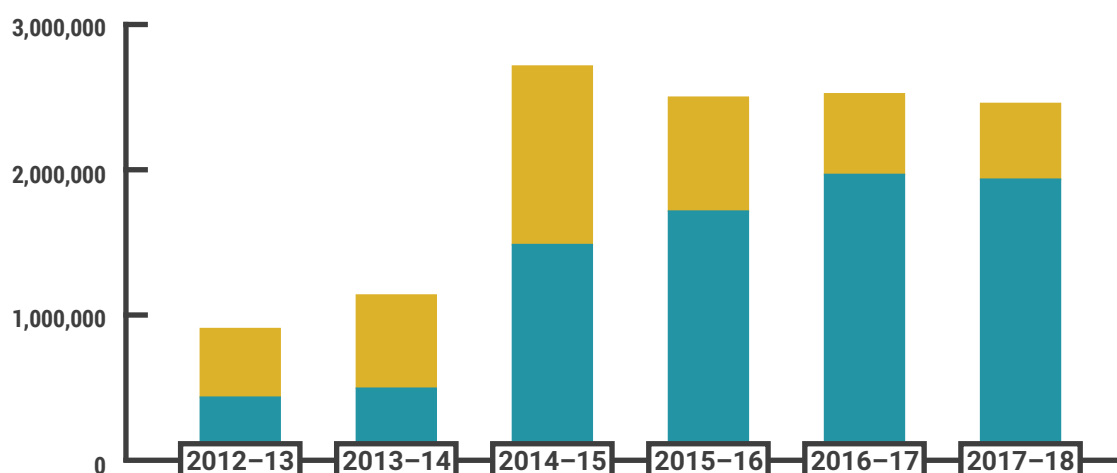
in the planning and budgeting process. Local development funds and the growing role of local committees in the planning process defined these efforts under the USDP government. Under the NLD, even greater emphasis has been placed on budgets that reflect the bottom-up planning process, with MPs playing an increasing role in identifying local needs and priorities. The accountability of state/region governments has been further strengthened by the budget oversight of increasingly vocal and active state/region huttaws. The proliferation of Citizen's Budgets among the state/region governments represents further attempts to increase accountability through increased transparency. While promising, these efforts have started from a low base and are yet to be formalized in legal or other regulatory processes.

6. **Both Union-level actors and subnational actors play critical roles in the planning and budgeting processes.** State/region budgeting and planning continue to involve a number of Union-level actors, including the Union government and Union ministries, both in setting policies for departments and in reviewing the budgets/plans before they are finalized. Concurrently, subnational actors

FIGURE 8 State/region government revenue sources: fiscal transfers versus own-source revenues (millions of kyat)

KEY

Fiscal transfers Own-source revenue

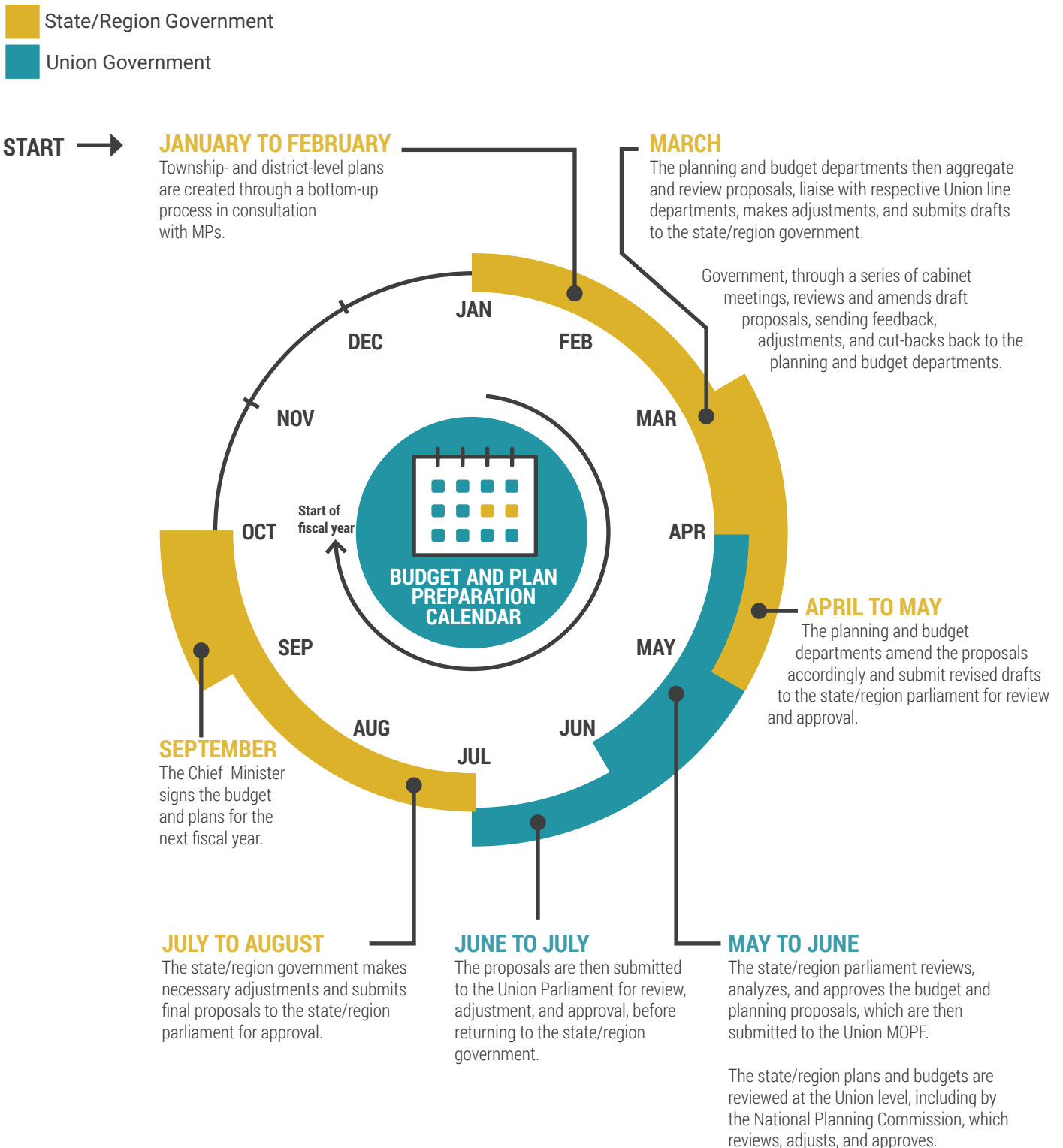


Source: MOPF; Renaissance Institute staff estimates

are playing an increasing role in the development of Union budgets, both through the increasing emphasis on bottom-up planning and the involvement of state/region governments in the Union budget. As of next year, this involvement will be institutionalized, with state/region governments

able to comment on and make recommendations for the proposals that state/region line departments submit to their Union ministries. Figure 9 provides an overview of the subnational planning and budget preparation calendar.

FIGURE 9 Subnational planning and state/region budget preparation calendar



CONCLUSION

ASSESSING DECENTRALIZATION IN MYANMAR

As shown in figure 10, the assessment of each of the dimensions of decentralization and the emerging trends therein reveal a number of key findings about decentralization in Myanmar:

- Since 2013, there has been further decentralization across all three dimensions.
- Overall, decentralization is still limited.
- There is an imbalance among the different dimensions of decentralization.
- The degree of decentralization varies from state/region to state/region and sector to sector.

Since the 2013 baseline assessment of decentralization, the implementation of the Constitution has resulted in further, albeit limited, decentralization across all three dimensions. Decentralization is being driven by some overarching trends:

1. State/region governments are increasingly involved in a broader range of activities within their respective areas.
2. State/region departments are increasingly accountable to the state/region governments.
3. State/region hluttaws are increasingly assertive in holding the executive to account and representing their constituents.

4. A township governance system, starting from a low base, is being steadily encouraged to respond to the needs of local populations, though further progress is needed.

State and region governments matter. They increasingly shape the role of the Myanmar state in their jurisdictions, lead policy implementation there, and are responsible for a growing proportion of government expenditure. Last year (FY 2017/18), state/region governments were responsible for expenditure totaling over USD 1.8 billion (MMK 2.5 trillion). State/region hluttaws are becoming critical fora for the representation of citizens and the oversight of political leaders.

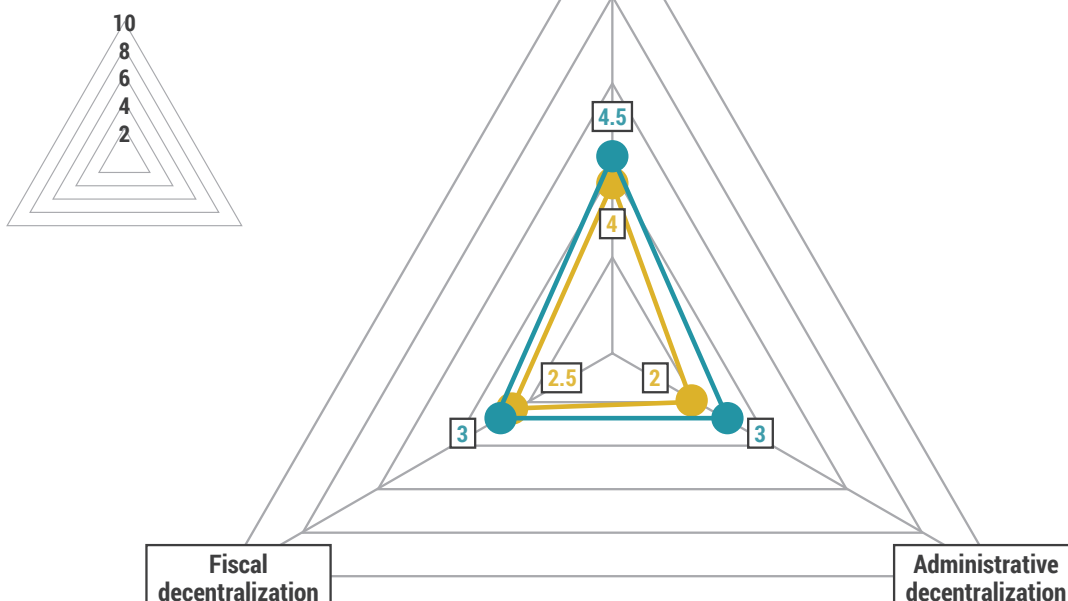
Fundamentally, however, the underlying institutions, systems and laws governing the framework for decentralization in Myanmar have not been radically altered in the past five years. There has been no further comprehensive devolution. As a consequence, while the above trends have led to increased decentralization, decentralization as a whole remains limited and imbalanced in Myanmar.

Administrative and fiscal decentralization continues to lag behind political. This imbalance risks inadequately empowering state/region governments.

FIGURE 10 Assessment of decentralization in Myanmar

KEY

- 2013 baseline assessment
- 2018 assessment



Fiscal decentralization is now effectively limited by administrative decentralization and the degree to which state/region governments are able to direct departments and make decisions autonomously regarding the planning and budgeting of their work. The system of dual accountability guarantees a degree of Union oversight, influence and involvement in the work of the state/region governments and thus limits their autonomy. One key exception to the above imbalances is in development (municipal) affairs, where there is a higher degree of decentralization and all three dimensions align. Success or failure in this sector may well serve as a model for years to come.

There are still key differences among the states/regions in the pace and form of decentralization. In some areas, hluttaws have been more active in holding the executive to account. In some areas, state/region governments have pursued a broader range of activities. More fundamentally, there is significant variation among the states/regions in the accountability relationship between ministers and their departments, with important implications for decentralization in any given sector.

DECENTRALIZATION AND THE PEACE PROCESS

The political process of decentralization detailed in this report, as well as the broader political process of democratization, is inextricably linked to the peace process aimed at solving Myanmar's multiple, protracted armed conflicts.

Due to Myanmar's long history of internal conflict there are areas today where the state has not had a presence since 1948, and parallel systems of governance and service provision by ethnic community-based groups and EAOs exist throughout Myanmar. How these alternative governmental institutions complement and are gradually integrated into a future political system will be part of negotiations and should be considered in approaches to decentralization.

At the centre of Myanmar's peace negotiations among the NLD, political parties, the military and ethnic armed organizations (EAOs) is the issue of federalism. The Nationwide Ceasefire Agreement (NCA), signed by multiple but not all parties to the conflict, makes provisions for pursuing a future state based on principles of 'democracy and federalism'.

Any agreement on constitutional reform reached through the peace process could radically alter the roles and responsibilities, actors, and institutions of Myanmar's subnational governance. In this way, decentralization and the pursuit of federalism both involve negotiating and developing a multi-order governance system that is more accountable, responsive, representative, and participatory. The key

question is thus: *to what degree can decentralization pave the way for a future federal system and address the objectives of stakeholders in the peace process?*

Many of those involved in the peace process, particularly EAOs, are clear that decentralization to states and regions within the current constitutional constraints cannot provide the political autonomy, security, or share of national wealth that they require for a sustainable peace.

"When we have federalism, we will have peace," is not an uncommon statement by conflict parties, particularly EAOs engaged in peace negotiations. Federalism is widely viewed as a panacea for the political ills driving conflict in Myanmar. Yet there is little agreement on the forms, structures, roles, and responsibilities of different actors under federalism.

What idealized discussions of federalism sometimes overlook are the core building blocks of a federal structure, such as assigning functions and creating new responsibilities at subnational levels, underpinned by the intergovernmental fiscal arrangements necessary to fund services. While this kind of practical decentralization under the current constitutional arrangements will not be a complete solution to achieving peace, the process of decentralization—with its fiscal, administrative, and political dimensions—can help to ground federalism debates in practical solutions. Decentralization can help to provide the building blocks for a future federal structure, and provide subnational actors with the experience and capacity to govern. The two processes—decentralization, and debates on federalism—aren't mutually exclusive. Both can address issues central to peace negotiations and the causes of armed conflict.

RECOMMENDATIONS

The research presented in this report helps to identify a number of broad areas where changes could be made to improve subnational governance and the effectiveness of decentralization efforts. A summary of recommendations across these broad areas can be found below. Some of these recommendations are implementable in the short-term as part of general reforms, whereas others are more substantive, potentially requiring constitutional change and agreement through the peace process.

RECOMMENDATIONS
Clarify and broaden the scope of state/region government responsibilities
<ul style="list-style-type: none"> • Clarify the role of the state/region governments in a range of sectors through instructions issued by Union ministries. • Consider areas of schedules 2 and 5 where, through the passage of Union and state/region laws, the role of state/region governments can be strengthened and clarified, such as in the social sector (including schools, hospitals, and welfare). • Consider other sectors where additional responsibilities could be added to schedules 2 and 5 through constitutional amendment. • Ensure state/region governments receive sufficient capacity-building support to meet their current and future responsibilities. • Establish effective mechanisms for state/region and Union-level actors to coordinate, discuss and address challenges and opportunities posed by decentralization.
Rationalize state/region government administration and human resources
<ul style="list-style-type: none"> • Further clarify the roles and responsibilities of state/region departments, and consider how to strengthen and institutionalize their accountability to state/region governments. • Consider, where appropriate, separating state/region departments from Union ministry structures (for example, using the Development Affairs model). • Consider creating state/region civil service organizations. • Ensure that the civil service is diverse and represents the populations it serves.
Strengthen township-level governance
<ul style="list-style-type: none"> • Strengthen mechanisms for public participation and responsiveness inside and outside of township committees. • Consider reforming, through both legal or constitutional reform, township governance to permit greater democratic accountability.
Deepen the deconcentration process within Union ministries
<ul style="list-style-type: none"> • Create a policy framework for line ministries to further deconcentrate responsibilities across administrative levels. • Provide capacity support to line ministries as they deconcentrate, and to state/region department offices as they take on new tasks. • Ensure Union ministry offices engage in participation and outreach with state/region governments and hluttaws, civil society, and communities.
Strengthen public expenditure management, budgeting, and resource allocation
<ul style="list-style-type: none"> • Consider necessary support to subnational actors to ensure evidence-based priority selection. • Ensure clarity in state/region expenditure assignments. • Strengthen the efficiency and equity of intergovernmental fiscal transfers. • Strengthen intersectoral coordination at all levels. • Elevate gender considerations in the planning and budgeting processes. • Strengthen the role of state/region government in developing the Union budget. • Improve state/region hluttaw's monitoring and oversight of the planning, budgeting and budget implementation processes, including ensuring that the budget calendar permits sufficient time for hluttaw review. • Encourage and improve the use of evidence in the planning and budgeting processes.
Strengthen state/region government own-source revenue raising
<ul style="list-style-type: none"> • Strengthen tax policy and administration at the state/region level. • Consider ways of increasing own-source revenues, through reform of taxes such as the property tax. • Consider reform to the license-auction system to liberalize economic governance and increase revenue. • Incentivize revenue collection by giving state/region governments more control over own-source revenues.
Better connect decentralization agendas to federalism debates in the peace process
<ul style="list-style-type: none"> • Share knowledge of decentralization, including fiscal, administrative, and political arrangements, with peace-process stakeholders. • Involve peace-process stakeholders in dialogue on decentralization, and increase the engagement of EAOs with state/region governments.



The Asia Foundation

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