



WHERE TOP-DOWN MEETS BOTTOM-UP

PLANNING AND BUDGETING IN MYANMAR

JULY 2019



ACKNOWLEDGEMENTS

The author and the research team would like to thank everyone who contributed to this study including respondents from government, civil society, donors, NGOs, and national and international experts, who took time to meet and share their experiences. Special thanks are accorded to the Department of Rural Development, whose support was integral to the success of the research.

The author would also like to acknowledge those who reviewed the report for providing invaluable feedback and advice, including World Bank staff and other reviewers with knowledge of Myanmar's subnational governance system. Finally a special thank you to Matthew Arnold, Diana Fernandez and Kelsey Atwood of The Asia Foundation and Roger Shotton for their continued support and guidance throughout the research and writing.

Any faults in substance or analysis rest with the author.

AUTHOR

Richard Batcheler

RESEARCH TEAM

Min Min Han

Roger Shotton

Thet Linn Wai

Richard Batcheler

REVIEWERS

Swe Set

Anki Dellnas

Ildrim Valley

David Ney

GRAPHIC DESIGNER

Elzemiesk Zinkstok

EDITOR

Pauline Khng

PREFACE

How governments choose to spend their money is of great import. This is especially true in Myanmar where, as the country continues its transition to democracy and greater economic development, it is critically important that actors within and without government support better decision-making in how to make best use of the government's scarce resources. Yet despite their importance, there has been a historic dearth of budget information as well as explanation of why decisions were made, and the technical nature of planning and budgeting has acted as a further barrier to broader engagement in these vital processes.

In October 2018, The Asia Foundation published a new edition of its *State and Region Government in Myanmar* report. The report provides a much needed update on the structure and functions of subnational governance in Myanmar, identifying the key political, administrative, and fiscal opportunities and challenges presented by decentralization. The report highlighted developments in budgeting and planning processes, including renewed efforts to move towards a "bottom-up" planning process, and recommended the strengthening of public-expenditure management, budgeting, and resource allocation, to ensure greater accountability and responsiveness in decision-making.

This study is a companion to the report, looking in greater detail at how planning and budgeting in Myanmar occurs in practice, including differences among state/regions and sectors. The research draws from new fieldwork carried out in three states over three months in early 2019, which sought to understand how planning and budgeting decisions are being made in four critical sectors: rural development, roads, electricity, and education. The research also builds on the considerable body of evidence in the reports published by The Asia Foundation and benefits from the experience of the *Myanmar Strategic Support Program*, implemented by The Asia Foundation in partnership with the Renaissance Institute, which provides ongoing technical support to state and region governments, particularly in relation to public financial management and municipal governance.

The report aims to make this critical subject accessible to the general reader, and in doing so, pave the way for a better informed, more technically grounded debate on planning and budgeting in Myanmar. The report also provides clear, implementable recommendations for all stakeholders in the planning and budgeting processes, to strengthen the responsiveness of government budgets to people's needs.

The report was generously financed by The World Bank with a grant from the Myanmar Multi-Donor Trust Fund provided by the United Kingdom's Department for International Development (DFID), and was made possible by the support of the Department of Rural Development. The opinions expressed in this report are solely those of the authors and do not necessarily reflect those of The Asia Foundation, The World Bank, DFID, or the Government of Myanmar.

We hope that *Where Top-Down Meets Bottom-up: Planning and Budgeting in Myanmar* provides a knowledge base on the ways that all stakeholders in Myanmar's development can strengthen budgetary decision-making.

Dr. Matthew B. Arnold
Country Representative

The Asia Foundation, Myanmar
Yangon, June 2019

CONTENTS

ABBREVIATIONS AND ACRONYMS	5
CHAPTER GUIDE	6
CHAPTER 1 – INTRODUCTION	8
1.1 Why is planning and budgeting in Myanmar important?	8
1.2 What is this report’s approach?	9
CHAPTER 2 – WHAT IS THE FRAMEWORK FOR PLANNING AND BUDGETING?	11
2.1 What is the constitutional, legislative, and regulatory framework for planning and budgeting?	11
2.2 What is the policy framework for planning and budgeting?	15
CHAPTER 3 – HOW ARE PLANNING PROPOSALS IDENTIFIED, GENERATED, ASSESSED, AND PRIORITIZED WITHIN TOWNSHIPS?	20
3.1 How are planning proposals identified and generated within townships?	22
3.2 How are planning proposals assessed and prioritized within townships?	31
CHAPTER 4 – HOW ARE PLANNING AND BUDGETING DECISIONS MADE AT STATE AND REGION, AND UNION LEVELS?	39
4.1 How are planning and budgeting decisions made at the state/region level?	41
4.2 How are planning and budgeting decisions made at the Union level?	45
4.3 What are the outcomes of planning and budgeting decisions?	48
CHAPTER 5 – CONCLUSION	54
5.1 Key findings	54
5.2 Recommendations	61
ANNEXES	66
ENDNOTES	69
REFERENCES	73

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	NECC	National Economic Coordination Committee
AVIP	Annual Village Investment Programme	NEP	National Electrification Plan
BOT	Build-operate-transfer	NESP	National Education Strategic Plan
CDD	Community Driven Development	NLD	National League for Democracy
CDF	Constituency Development Fund	NPC	National Planning Commission
CSO	Civil Society Organization	ODA	Official Development Assistance
DAO	Department Affairs Organization	PAC	Public Accounts Committee
DBE	Department of Basic Education	PFM	Public Financial Management
DOH	Department of Highways	PIC	Plan Formulation and Implementation Committee
DPIC	District Plan Formulation and Implementation Committee	PPP	Public Private Partnership
DPTSC	Department of Power Transmission and System Control	PRA	Participatory Reflection and Action
DRD	Department of Rural Development	PRF	Poverty Reduction Fund
DRRD	Department of Rural Roads Development	PTA	Parent Teacher Association
DSC	Development Support Committee	RDF	Rural Development Fund
EAO	Ethnic Armed Organization	S/RPIC	State/Region Plan Formulation and Implementation Committee
ERLIP	Enhancing Rural Livelihoods and Income Project	TDAC	Township Development Affairs Committee
ESE	Electricity Supply Enterprise	TDI	Township Development Index
GAD	General Administration Department	TDLGP	Township Democratic Local Governance Project
GRB	Gender-Responsive Budgeting	TEO	Township Education Officer
HH	Household head	TPIC	Township Plan Formulation and Implementation Committee
JICA	Japan International Cooperation Agency	TRDSP	Township Rural Development Strategy and Programme
JPAC	Joint Public Accounts Committee	UFC	Union Finance Commission
KNLA	Karen National Liberation Army	UNDP	United Nations Development Programme
KNU	Karen National Union	USDP	Union Solidarity and Development Party
LDF	Local Development Fund	VDP	Village Development Planning
LGBTQI	Lesbian, Gay, Bisexual, Transgender, Queer, and Intersex	VPSC	Village Project Support Committee
LIFT	Livelihoods and Food Security Trust Fund	VTA	Village Tract Administrator
MDRI-CESD	Myanmar Development Research Institute – Centre for Economic and Social Development	VTPSC	Village Tract Project Support Committee
MMK	Myanmar Kyat (National Currency)	W/VTA	Ward/Village Tract Administrator
MOALI	Ministry of Agriculture, Livestock and Irrigation	WASH	Water, Sanitation and Hygiene
MOEE	Ministry of Electricity and Energy		
MONREC	Ministry of Natural Resources and Environmental Conservation		
MOPF	Ministry of Planning and Finance		
MP	Member of Parliament		
MSDP	Myanmar Sustainable Development Plan		
MTFF	Medium Term Fiscal Framework		
NCA	Nationwide Ceasefire Agreement		
NCDDP	National Community Driven Development Project		

CHAPTER GUIDE

1. INTRODUCTION

THEMES

The importance of planning and budgeting

Research background and objectives

Research methodology

HIGHLIGHTS

- > Budgets represent one of the primary tools with which governments in Myanmar can effect socioeconomic development, improve public service provision, and contribute toward peace and trust-building in conflict-affected areas.
- > There is a recognized need to strengthen budgetary decision-making, with efforts to implement a “bottom-up” planning process. However, there is a tension between the nascent “bottom-up” planning process and the “top-down” budgeting process.
- > Reforming planning and budgeting processes requires that all stakeholders understand current processes. This research explores how proposals for the budget are identified and prioritized, and how budget decisions are made.

2. WHAT IS THE FRAMEWORK FOR PLANNING AND BUDGETING?

THEMES

The legal and regulatory framework for planning and budgeting

Government planning and budgeting policy

Sectoral planning and budgeting policy

HIGHLIGHTS

- > The 2008 Constitution provides for two types of budget, the Union Budget, and State and Region Budgets, and shapes the division of responsibilities between the two.
- > Other levels within Myanmar’s governance system, such as townships, do not have their own budgets and are dependent on Union and state/region government funding.
- > The need to strengthen planning and budgeting processes in Myanmar has been well recognized by USDP and NLD governments, with efforts made to ensure budgets are responsive to local needs, including the move towards “bottom-up” planning.
- > Government ministries and departments have their own policies that shape planning and budgeting through key departmental objectives and priorities.

3. HOW ARE PLANNING PROPOSALS IDENTIFIED, GENERATED, ASSESSED, AND PRIORITIZED WITHIN TOWNSHIPS?

THEMES

The identification of planning proposals within townships

The assessment and prioritization of planning proposals within townships

Community involvement in the identification and assessment of planning proposals

HIGHLIGHTS

- > Under the “bottom-up” planning process, an increasing number of proposals that receive funding are identified at the township level. However, in the absence of township budgets, few decisions are made within townships about which proposals receive funding.
- > Departments vary in how they identify and prioritize proposals. Some departments have established links with communities. For others, proposals come from longer-term planning.
- > Across all sectors and townships, MPs and ministers are active in identifying proposals, with their proposals likely to receive the highest prioritization.
- > TPICs, responsible for reviewing proposals before they are submitted to higher levels, operate in widely varying ways. The overall impact of TPICs is limited, not least by the absence of a budget ceiling within which to restrict proposals, which prevents the committees from fully shaping the decision-making made at higher levels.
- > Opportunities for community involvement in the identification and assessment of proposals are limited. For many departments, the increasing involvement of MPs and W/VTAs in the process is sufficient for representing community needs.

4. HOW ARE PLANNING AND BUDGETING DECISIONS MADE AT STATE AND REGION, AND UNION LEVELS?

THEMES

The role of state/region governments and officials, and state/region hluttaws in planning and budgeting decisions

The role of the Union government and officials, and Union hluttaw in planning and budgeting decisions

HIGHLIGHTS

- > State/region government policy largely shapes how the state/region budget is allocated between departments. State/region governments are predominantly focussing on building infrastructure that will drive regional development, such as roads, electricity, and water supply. Within these sectors, priorities are identifiable, such as that of strategic highways over rural roads.
- > State/region department heads, in conjunction with their respective minister, lead the process of determining which projects receive funding from the state/region budget. Department heads typically respect the proposals made at township level, especially those from MPs or ministers.
- > State/region hluttaws are increasingly willing to challenge the state/region governments' proposed budgets and decision-making. However, the focus of many representatives is largely parochial, with MPs ensuring their priority proposals are included, and/or reviewing proposals for projects in their own townships.
- > For the Union budget, each sector department follows their own process, with their own criteria and policies, that shape decision-making in budgeting as they cutback proposals to match budget ceilings. Departments review proposals with little information on the context or detail of individual proposals. Department officials report that a key challenge of their work is balancing the strategic priorities of the department with the requests of MPs and ministers.

5. CONCLUSION

THEMES

Key findings in planning and budgeting in Myanmar

Recommendations

HIGHLIGHTS

- > There are a number of opportunities for stakeholders in Myanmar's planning and budgeting processes, including that of government, parliaments, civil society, and donors and implementing partners, to help strengthen decision-making.
- > There is scope to ensure better alignment between planning and budgeting processes, strengthen the role and capacity of TPICs, and to empower governance actors at lower, more local levels to exert greater discretion and influence over the decision-making process. State/region and Union governments should continue efforts to ensure budgets reflect need and are equitable.

CHAPTER 1

INTRODUCTION

1.1 WHY IS PLANNING AND BUDGETING IN MYANMAR IMPORTANT?

Few decisions made by governments are as important as those relating to its budget. Budget decisions determine who gets what, with the money government spends representing one of the primary tools with which they can effect change. After decades of slow socioeconomic development, poor public service provision, and continuing conflict, government budgets provide unique opportunities to respond to the needs of Myanmar's population and tackle some of the seemingly intractable, but interrelated issues the country faces.

The need to strengthen budgetary decision-making has been recognized by both Union governments in power since 2011. Under President Thein Sein's USDP government and its calls for "people-centered" development, the government pursued a number of reforms such as creating local development committees and local development funds, as well as beginning various efforts to reform public financial management throughout government.¹ Under the NLD, the government has embraced "bottom-up" planning, whereby an increasing proportion of budget spending is based on planning proposals identified at the local township level.

These efforts have been complemented by the work of state and region governments. The creation of elected state and region governments with their own budgets under the 2008 Constitution, which are closer to the electorate than their national counterparts, provides key opportunities for increased budget responsiveness. Since their creation, state/region governments' budgets have almost tripled in size, and these governments are exercising increasing discretion in how that money is used.²

While both NLD and USDP governments have sought to decentralize decision-making within the planning and budgeting process to both the state/region and township levels, decentralization in Myanmar remains limited.³ As one interview respondent put it, "we now have a bottom-up planning process, but the budget process remains top-down."⁴ *Where Top-Down Meets Bottom-Up* explores the relationship between the planning and budgeting processes, and the tensions between efforts to create more responsive and participatory decision-making in a system, where ultimately, decisions rest with a small group of people within government.

BOX A

Why do government budgets matter?⁵

Each year, the government presents a statement of revenues and expenditures for the coming financial year. The budget translates a government's manifesto, policies and goals into decisions on how to raise revenue, and how to use this money to meet the country's competing needs. The budget, directly or indirectly, affects the lives of all within a country, with the money government spends being its most powerful economic tool to meet the needs of the people, especially those who are poor and marginalized.

For many years, despite their importance, budgets and the decisions on what to spend money on have been shrouded in mystery, with budgets not necessarily serving Myanmar's population equitably. A starting point for ensuring the success of reforms to planning and budgeting processes requires that policymakers, political actors, donors, civil society, and other stakeholders understand current processes, and have evidence with which to assess the impacts of reforms. This research thus provides a detailed account of how

proposals for inclusion in the budget are identified, assessed and prioritized, and how decisions on what goes into the budget are made. Of particular importance, given the "people-centered" refrain, the research examines the extent of public participation within the planning and budgeting processes. It also identifies the opportunities and challenges in ensuring budgets are more responsive to the needs of Myanmar's people and that better support the country's development.

1.2 WHAT IS THIS REPORT'S APPROACH?

BACKGROUNDS AND OBJECTIVES

In October 2018, The Asia Foundation published *State and Region Governments in Myanmar*,⁶ an up-to-date assessment of subnational governance dynamics in Myanmar, which reflected on important developments since the creation of state/region governments in 2011. The report highlighted the importance of planning and budgeting processes, identified ongoing reforms, and recommended the strengthening of public-expenditure management, budgeting, and resource allocation, to ensure greater accountability and responsiveness in decision-making.

The opportunities and issues identified in the report necessitated new research with the objectives of: understanding in greater detail existing practice in planning and budgeting, including differences among state/regions, and different sectors; identifying and sharing good practice, and; providing clear, implementable recommendations to strengthen the responsiveness of planning and budgeting to people's needs. The research is a public resource intended

to contribute to improving knowledge, dialogue, and policymaking for all actors in Myanmar's transition.

This report serves as a companion report to a forthcoming report from The Asia Foundation, which details state/region governments' efforts in revenue raising, and how government budgets are financed.

REPORT METHODOLOGY

To understand how planning and budgeting proposals are generated, assessed and prioritized at local levels, and how decisions are made at the state and region level, field research was carried out over a period of three months in 10 townships across three states (Chin, Kayin and Rakhine).⁷ These states were selected, in part, as they face some of the starkest development needs in Myanmar, but also to ensure a comparison among areas with differing populations, geography, conflict histories, and governance issues. Additionally, interviews were held in Nay Pyi Taw to understand how decisions are made at the Union level.

BOX B

What are the report's key questions?

The research was guided by the following three key questions:

1. What is the constitutional, legal and institutional framework for planning and budgeting processes, and what is the policy direction of reforms to these processes?
2. What are the outcomes of reforms to planning and budgeting, and how do they vary among states and regions, and among sectors?
3. What opportunities and challenges are there to improve planning and budgeting?

To understand how planning and budgeting vary among sectors, the field research focussed on four sectors: education, electricity, roads, and rural development, and their responsible departments. These sectors were chosen as they are some of the key priorities of the Union and state/region governments, and receive a significant proportion of government spending from government budgets, and because the departments reflect varying levels of accountability to the state/region governments. To provide insights into these sectors, the focus of fieldwork was on the following departments: Department of Basic Education (DBE) for the education sector, the Electricity Supply Enterprise (ESE) for the electricity sector, both Department of Highways (DOH) and Department of Rural Roads Development (DRRD)⁸ for the roads sector, and the Department of Rural Development (DRD) for the rural development sector. In addition to these sector departments, research included Planning and Budget departments, given their centrality in the planning and budgeting processes, as well as less extensive engagement with a range of other sectors, including health and development (municipal) affairs.

The field research comprised semi-structured interviews with a broad range of stakeholders (192 in total), including state/region ministers, state/region hluttaw⁹ members, department officials at township, district, state/region and Union levels, and representatives of civil society organizations and non-governmental organizations. Interviews were guided by questions about the roles, functions, steps, challenges and opportunities that shape the planning and budgeting processes, and more open-ended contextual factors. As well as the interviews, policy dialogues were held in Chin, Kayin and Rakhine states, which were attended by an array of stakeholders within government (127 in total), with responsibilities in planning and budgeting across the target sectors. A table detailing the interviews and policy dialogues conducted in support of the research is available in annex A.

Beyond the field research, a literature review was carried out covering academic literature, articles in the press, legislation, rules and regulations, budget documents, and project and policy documents. Quantitative analysis of budget data for both state/region and Union budgets was also completed.

The above evidence base has been supplemented with the significant body of evidence in reports published by The Asia Foundation, in collaboration with the Renaissance Institute and MDRI-CESD, over the past six years.¹⁰ The report also draws on the unique insight and experiences of The Asia Foundation and the Renaissance Institute in delivering technical support to Myanmar's state and region governments, particularly in public financial management.

SCOPE AND LIMITATIONS

The sampling of states, townships, and sectors for the fieldwork reveals a wide variety of practices among different areas and sectors in Myanmar. The sample should therefore not be viewed as representative of the whole of planning and budgeting in Myanmar. Rather, the variance documented in this report should serve as a reminder to policymakers and practitioners of the need to understand local context, and to appreciate the myriad ways in which policies can be implemented.

One limitation of this study is that it does not look closely at competing or alternative governance systems and institutions, with most of the research carried out in areas of full government control. Some areas of the country have been affected by decades of armed conflict and have remained outside of the government's reach since 1948. These protracted conflicts have created large geographic areas of contested or "hybrid" authority. In these areas of mixed control, other actors such as customary leaders, non-state political actors, and ethnic armed organizations (EAO) play key roles in local governance, including service provision for which these other actors must also plan and budget.^{11,12} In these areas, it is important to acknowledge that government budgetary spending may increase existing tensions significantly, with the potential for renewed armed conflict, as well as leading to benefits for local communities.¹³

This study focusses primarily on the "supply side" of planning and budgeting governance: the structures, systems, and individuals involved in planning and budgeting, rather than on the ordinary citizen. While civil society and private sector perspectives and experiences in planning and budgeting are included, there is still a need for the systematic examination of these experiences.

STRUCTURE OF THE REPORT

Following this introductory chapter, chapter 2 of the report outlines the constitutional, legislative, regulatory, and policy framework in which planning and budgeting occurs in Myanmar. In chapter 3, the report details how proposals are identified, generated and assessed at local levels, including the involvement of communities. Chapter 4 outlines how budget decisions are made by actors at the state/region and Union levels. Chapter 5 provides the report's conclusions, including its key findings, and policy recommendations for strengthening planning and budgeting in the years to come.

CHAPTER 2

WHAT IS THE FRAMEWORK FOR PLANNING AND BUDGETING?

2.1 WHAT IS THE CONSTITUTIONAL, LEGISLATIVE, AND REGULATORY FRAMEWORK FOR PLANNING AND BUDGETING?

THE 2008 CONSTITUTION

The 2008 Constitution, Myanmar's basic, fundamental law, provides the framework for planning and budgeting in Myanmar.¹⁴ The Constitution provides for two types of budget: the Union Budget, and State and Region Budgets. Other levels within Myanmar's governance system¹⁵ are administrative units (district, township, and ward / village tract), and do not have their own budgets, and are therefore completely dependent on Union and state/region government funding. This basic reality of the budget system creates a "top-down" impetus, with ultimate decision-making power resting with state/region and Union governments. There are some small exceptions, however, where the state/region or Union delegates some budget authority, such as with local development funds like the Constituency Development Fund (CDF, explained in greater detail below).

The Union Government is responsible for drafting the annual Union Budget Bill before its submission to the Pyidaungsu Hluttaw (articles 103 and 221). The state/region government is responsible for submitting the annual Region or State Budget Bill to the respective state/region hluttaw (articles 193 and 252). Given the role of hluttaws at both Union and state/region levels in approving the budgets, hluttaw representatives are an integral part of the budgeting process. Following a modification in 2018, the beginning of the fiscal year was changed from April to October.¹⁶

In addition to the annual budget bills, state/region and Union governments also produce annual Planning Laws, which detail the capital investments for the coming budget year.¹⁷ The Constitution also permits the submission of a Supplementary Appropriation Law with article 103(e), within a financial year to authorize additional expenditure and revenues.

The Constitution places important limits on the discretion of state/region governments in determining their own budgets, as article 230(b) requires that state/region budgets be vetted by a Vice President, and for budgets to be submitted to the Finance Commission. Both are part of the Union government.

The division of expenditure responsibilities between Union and state/region budgets is shaped by the Constitution. Schedule 2 of the Constitution is central to defining the roles and responsibilities of the state/region governments (as per articles 188 and 249),¹⁸ and Schedule 1 provides the corollary list for the Union government. These Schedules thus establish a loose basis for the division of expenditure responsibilities.

THE REGION OR STATE GOVERNMENT LAW¹⁹

Beyond the 2008 Constitution, the Region or State Government Law (2010), provides further details on budgeting for state/region budgets. The law states that the state/region Budget Department is responsible for developing the draft budget for the state/region

BOX C**How are expenditure responsibilities between state/region and Union government budgets determined?**

The Constitution's Schedules 1 and 2 forms the loose basis in the division of responsibilities between state/region and Union government budgets. In practice, how expenditure responsibilities are determined, and the level of clarity therein is dependent on the sector of spending. In some sectors, the Constitution provides for a clear division of responsibilities. For example, municipal services are funded entirely by the state/region governments, whereas health and education spending is funded almost entirely by the Union government.

In other sectors, expenditure responsibilities are determined by ministry rules and regulations, and by precedent and convention. For example, while the Constitution states that the state/region governments are responsible for "medium- and small-scale electric power production and distribution... not having any link with [the] national power grid," in practice, state/region governments' budgets are the predominant source of funding to extend the 11 kilovolt distribution network, from the national grid to villages without access to electricity.

In other sectors, there seems to be some flexibility in determining expenditure responsibilities, and ad hoc financial arrangements may be negotiated in response to local context. For example, in the roads sector, the Constitution makes a distinction between state/region and Union roads, but does not specify the practical responsibilities this entails. As a result, state/region governments negotiate and cofinance a share of expenditure on Union roads, with examples of the same road receiving funding from both state/region and Union budgets.

governments, in accordance with Union Finance Commission instructions, before submission to the state/region hluttaw (articles 34–37).

SECTOR LAWS, RULES AND REGULATIONS

Many sectors have their own laws, rules and regulations that detail the expenditure responsibilities of ministries and departments, which they must plan and budget for, as well as outline some of the roles and responsibilities in, and processes of, the ministry and/or department's planning and budgeting.

For example, the expenditure responsibilities of Development Affairs Organizations (DAOs) are provided for in their respective state/region development affairs laws. The principal functions of most DAOs are limited to a few key infrastructure and service delivery tasks, and a set of regulatory and revenue collection responsibilities in urban areas. These typically include the construction, upgrading, repair and maintenance of roads and bridges, waste management, upkeep of parks and public spaces and the provision of street lighting. Bylaws provide further detail. For example, the Shan State Development Affairs bylaws outline the role of the state and township development affairs committees' respective roles in developing and agreeing annual plans and budgets.

Chapter 12 of the National Education Law²⁰ includes a brief overview of financial responsibilities, and article 58 describes the Ministry of Education's role in relation to the budget process as "to give help and guidance for the effective use of the education budget."

The draft Rural Development Bill,²¹ introduced to the Union Hluttaw in early 2019, sets out new responsibilities for the Department of Rural Development that, if passed, would affect planning and budgeting within the sector. The draft law includes increased emphasis on community participation in the planning, approval and implementation of projects. Chapter 5, article 9 sets out the rights, duties and responsibilities of communities in detail.

REGULATIONS ON FINANCIAL MANAGEMENT OF MYANMAR²²

A common feature of sectoral laws, bylaws and regulations is a statement to the effect that budgeting should be carried out in accordance with Ministry of Planning and Finance (MOPF) regulations. The Regulations on Financial Management of Myanmar (35/2017) are the most important regulations currently in practice, and apply to all ministries and departments, with the sole exception of Ministry of Defence, and spending under both Union and state/region budgets. The regulations include the overarching objective "to be

transparent, accountable and responsible in managing public funds and to spend them efficiently.”

The regulations set out the roles and responsibilities of the MOPF, Budget Department, Treasury Department, Auditor General, and state/region governments, in relation to public financial management. Under the regulations, the MOPF is responsible for preparing the Union budget and drafting the Union Budget Law (article 7a), with the Budget Department (head office) responsible for scrutinizing departmental proposals to ensure compliance with policies, projects, and financial framework standards of the Union (article 25). The Union budget should be prepared in accordance with the Union Budget Preparation and Submission Law (article 24).

The state/region governments are responsible for the collection of revenue and management of expenditure of departments under the state/region budget (article 11). State/region departments are required to prepare budget statements with the approval of their respective head offices (article 29), before the state/region Budget Department prepares the budget statement, taking into consideration the deficit grant transfer from the Union fund,²³ and the revenues and expenditures of respective departments. The budget proposal is then submitted to the state/region government (article 30), before submission to state/region hluttaw for approval (article 31). Following approval from the state/region hluttaw, the budget proposal is submitted to the Budget Department’s head office, Vice President, Union Finance Commission, and then to the Union Government (article 33). Following passage of the Union Budget Law, state/region governments are informed of the size of the deficit grant transfer. The respective state/region

Budget Department is then responsible for making any necessary adjustments to the budget proposal before the state/region budget bill is drafted and submitted to the state/region hluttaw (articles 34 and 35).

The regulations also provide state/region governments with the authority to reappropriate funds (i.e. to alter the intended to use of funds) (article 55), rules on transfers from Union to state/region governments (chapter 7), rules on spending public funds (chapter 10), procurement (chapter 11), managing foreign loans and grants (chapters 15 and 16), and financial reporting (chapter 22).

PLANNING COMMISSIONS AND COMMITTEES

A number of planning commissions and committees were established by Presidential Notifications in May 2016 that play leading roles in the planning process (as shown in figure 2.1), and are integral to the government’s efforts to develop “bottom-up” plans. At the Union level, a National Planning Commission (NPC) was established,²⁴ with its membership comprising the President, Vice Presidents, Union Ministers, and state/region Chief Ministers, among others. One of the key responsibilities of the NPC is to provide suggestions and approvals for project plans from ministries and departments at both the Union and state/region levels.

At the state/region level, State and Region Planning Commissions were established,²⁵ which are chaired by the chief minister and comprise all state/region ministers. The state/region General Administration Department (GAD) executive secretary acts as secretary. From outside of government, members also include representatives from different private sectors, including agriculture and industry. The commission is responsible for analyzing and agreeing to plans submitted by subordinate committees. State/region Plan Formulation and Implementation Committees (PICs),²⁶ are chiefly responsible for developing plans to be submitted to the commission. The role of the state/region PICs extends to developing measures to effectively prioritize projects, collecting village tract / ward socioeconomic development information, scrutinizing the impact of projects on regional development, and overseeing the implementation of projects. The state/region PICs are chaired by the state/region Minister responsible for planning,²⁷ and include state/region department heads across major sectors, representatives from agriculture, industrial and service sectors, as well as a representative “elder” from the community. The committee’s secretary is the head of the state/region Planning Department, with the state/region Department of Rural Development director as co-secretary.

“ A NUMBER OF PLANNING COMMISSIONS AND COMMITTEES WERE ESTABLISHED BY PRESIDENTIAL NOTIFICATIONS IN MAY 2016 THAT PLAY LEADING ROLES IN THE PLANNING PROCESS



FIGURE 2.1 Planning committees and commissions: membership, roles and responsibilities

COMMITTEE/ COMMISSION	MEMBERSHIP	SELECTED ROLES AND RESPONSIBILITIES
National Planning Commission	<p>CHAIRMAN: President DEPUTY CHAIRS: Vice President (1) and Vice President (2) SECRETARY: Union Minister of Planning and Finance MEMBERS: Union Ministers, Union Attorney General, Union Auditor General, Chair of Nay Pyi Taw Council, State/Region Chief Ministers</p>	<ul style="list-style-type: none"> ● Decide how to operationalize national policy in project plans ● Provide suggestions, approvals, and rejections of project plans from Ministry departments and from states and regions. ● Reject project plans which do not support socioeconomic development ● Submit agreed plans to Pyitaungsu hluttaw
State and Region Planning Commissions	<p>CHAIRMAN: Chief Minister SECRETARY: Executive Secretary of state/region government MEMBERS: State/region ministers, Representatives from private sector (Agriculture, Industry, Service)</p>	<ul style="list-style-type: none"> ● Scrutinize project plans to be included in annual, short-term, and long-term plans. ● Ensure plans accord with national policy ● Reject project plans that do not support the socioeconomic development of states/regions ● Submit agreed project plans to state/region hluttaw.
State and Region Plan Formulation and Implementation Committees (S/RPIC)	<p>CHAIRMAN: Minister responsible for planning SECRETARY: State/region Planning Department head CO-SECRETARY: State/region DRD head MEMBERS: Heads of state/region departments, Representatives from private sector (Agriculture, Industry, Service), Elder representatives of community</p>	<ul style="list-style-type: none"> ● Systematically scrutinize plans before submission to State/Region Planning Commission ● Prioritize regional projects necessary for socioeconomic development ● Complete village tract / ward socioeconomic tables ● Scrutinize the rate of return of projects. ● Supervise the implementation/progress of project plans
District Plan Formulation and Implementation Committees (DPIC)	<p>CHAIRMAN: District Administrator SECRETARY: District Planning Department head CO-SECRETARY: District DRD head MEMBERS: Heads of district departments, Representatives from private sector, Elder representatives of community</p>	<ul style="list-style-type: none"> ● Scrutinize plans from the TPIC before submission to S/RPIC ● Prioritize projects necessary for socioeconomic development
Township Plan Formulation and Implementation Committees (TPIC)	<p>CHAIRMAN: Township Administrator SECRETARY: Township Planning Department head CO-SECRETARY: Township DRD head MEMBERS: Heads of township departments, Representatives from private sector, Elder representatives of community</p>	<ul style="list-style-type: none"> ● Identify local priorities and scrutinize project plans from township departments ● Prioritize projects necessary for socioeconomic development ● Submit agreed project plans to DPIC

Below the state/region level, and responsible for submitting plan proposals to the state/region PICs (S/RPIC) are district PICs (DPIC) and township PICs (TPIC). The committees are responsible for collecting, analyzing and agreeing project proposals from sectoral departments, before submission to higher levels. As with their state/region counterparts, they feature the respective department heads at the corresponding

administrative level. DPICs are chaired by the district administrator from the GAD and TPICs are chaired by the township administrator (also from GAD). These committees also include within their membership, representatives from agricultural, industry, and service sectors, as well as local respected and elder persons. While the membership of TPICs does not include hluttaw representatives from that township

(from state/region, Pyithu and Amyotha hluttaws), it is now commonplace for them to be invited to attend meetings.

CONSTITUENCY DEVELOPMENT FUND

In addition to the annual planning and budgeting processes for state/region and Union budgets, local development funds (described in greater detail below), which give discretion to township-level governance actors in determining local, small-scale infrastructure priorities, are subject to their own laws, rules and regulations. The CDF is the only fund that has continued to receive funding from the Union budget under the NLD and is present in all of Myanmar's

townships, with each township provided with grants of MMK 100 million for small infrastructure projects.²⁸ The fund was promulgated by the Hluttaw Development Fund Law,²⁹ with subsequently issued rules and regulations.³⁰ The law establishes project implementation bodies at the township level, chaired by one of the MPs from the township, with other MPs from the township as members, alongside the GAD Township Administrator and department heads from the DRD and Development Affairs Organization (DAO). The body is responsible for identifying projects that reflect community needs (article 9a), and use participatory approaches in project implementation (article 9b). Drinking-water access projects, and village roads and bridges, are explicitly referenced in the law, although other projects that reflect public need are also permitted (article 12).

2.2 WHAT IS THE POLICY FRAMEWORK FOR PLANNING AND BUDGETING?

UNION GOVERNMENT POLICY

The need to strengthen planning and budgeting processes in Myanmar has been well recognized by both transition governments – USDP and NLD – since 2011. Under the Thein Sein-led USDP government, a number of reforms of local governance, under the government's aim of "people-centered" development, contributed to planning and budgeting reform.

One such reform was the expansion of the role of local committees, with a number of complementary committees emerging at the district, township, ward, and village-tract levels, which featured local participation as a means to "balance the authority of GAD administrators with participation by the community."³¹ In addition to the PICs detailed above, Development Support Committees (DSCs) were created at the township and ward / village tract levels,³² as fora for various local interest groups to support the township administration of development issues. DSCs comprised representatives from different sectors, trade groups, and civil society. DSC members were expected to ascertain the needs and priorities of the community and support line departments, in an advisory position, in incorporating these needs into their planning.³³ There was no official mechanism for DSCs to regularly consult with local people.³⁴ Following the 2015 elections, one of the first actions of the NLD government in 2016 was to abolish the DSCs via presidential decree.^{35,36}

Township Development Affairs Committees (TDACs) were also created, with the remit of supporting the activities of DAOs. The TDAC is unique, as its role is enshrined in state/region law rather than executive decree, and it has decision-making powers rather than being purely advisory. The purpose of the TDAC is twofold: to reflect public priorities, and to ensure successful project implementation. In collaboration with DAO offices, TDACs set priorities for annual planning and budgeting of township DAO funds.³⁷ In this way, TDACs can be viewed as a nascent form of elected municipal council. The influence of the TDACs appears to vary significantly from township to township, with some having little influence over the activities of the DAO. Previous research covering elections to the TDACs,³⁸ and subsequent research covering the 2018 elections,³⁹ has shown broad variations in the selection or election processes for committee members. Also like the DSCs, TDACs have no formal mechanism for interaction with local people.⁴⁰

Beyond the creation of local committees, the establishment under the USDP government of local development funds (LDFs) like the Poverty Reduction Fund (PRF), the CDF (outlined above), and the Rural Development Fund (RDF), provided local governance actors with greater discretion in funding that was intended to be more responsive to local needs.⁴¹ The PRF, CDF, and RDF, largely used for small infrastructure projects, were the only funds present in all townships

in Myanmar.⁴² The rapid pace of reform in creating the LDFs and the institutions that managed them meant, in general, a lack of formal procedures for fund management, monitoring, and especially community participation. Public participation was largely limited to indirect involvement through the people's representatives in the DSCs and TDAC.⁴³ With the exception of the CDF, funding for the LDFs from the Union budget ceased in 2017, although some state/region governments have continued to fund the PRF in their areas (with details provided later in the report).

Finally, the USDP reformed the role of ward / village tract administrator (W/VTA) to provide them an explicit function in local community development and poverty reduction in their respective jurisdictions. The Ward or Village Tract Administration Law, first passed in 2012, had the significant effect of providing for elections, although indirectly, to appoint W/VTAs.⁴⁴ The law has been amended twice (January 2016 and December 2016), altering the election process.⁴⁵ The role of W/VTA in poverty reduction and development, although not clearly defined, has enabled W/VTA to play an increasing role in the identification of local planning priorities.

Reforms to planning and budgeting in Myanmar have continued under the NLD. While the NLD-led government abolished the DSCs and has ceased funding some LDFs, the NLD has placed renewed emphasis on "bottom-up planning," whereby local actors are required to capture the needs of their areas, and budgets are to be increasingly responsive to these locally-identified needs. In support of these efforts, the NLD has supported the strengthening of PICs and an increasing role of township MPs in local planning processes – both of these developments are explored in greater detail in chapter 3.

Beyond efforts at "bottom-up planning" for local development, at the Union level, the NLD government has introduced new policies to promote strengthened strategic planning and budgeting, particularly in relation to larger-scale infrastructure projects. The government published its 12-point state economic policy in August 2016, which was followed in 2018 by the Myanmar Sustainable Development Plan (MSDP),⁴⁶ the NLD government's most detailed articulation of policy to date. It incorporates 238 action plans under 28 strategies, which sit within five goals across three pillars. The action plans vary in their levels of specificity and detail, but many do provide clear indications of strategic priorities that shape planning and budgeting. The MSDP also includes specific actions plans related to planning and budgeting, as listed below.:

- Increase public sector transparency and accountability by enhancing parliamentary oversight as part of standard budget, planning and audit processes (Ref. 1.4.2).

- Strengthen inclusive planning practices based on participatory processes across all levels of government (Ref. 1.5.4).
- Significantly increase overall budget transparency... (Ref. 2.4.1).
- Strengthen scrutiny and oversight of budget proposals and cut unnecessary expenditures (Ref. 2.4.4.).
- Enhance the capacity of national and subnational PFM, including provisions for nationally-led strategic infrastructure planning and investment and related revenue generation and asset management (Ref. 2.4.5).
- Encourage greater and more inclusive public participation in budgetary processes at all levels (Ref. 2.4.6).
- Integrate gender responsive budgeting at all levels to ensure the budget is adequately structured to address gender inequality (Ref. 2.4.7).
- Promote broad-based environmental awareness, with a focus on integrating conservation practices into development and planning processes at all levels... (Ref. 5.1.1.).
- Integrate disaster risk reduction and climate change mitigation measures in policies, planning and budgeting procedures for all sectors (Ref. 5.2.1).

Following the publication of the MSDP, the Union government created the *Project Bank*, through which a new process for identification, screening, appraisal, and prioritization for large-scale investments projects exceeding a total value of MMK two billion, was established. Under the Project Bank, the National Economic Coordination Committee (NECC) and Ministry of Planning and Finance play a leading and coordinating role in project screening, appraisal and prioritization. Through the Project Bank, appropriate project financing will also be identified, whether that be from government budgets, ODA, or from private sector investment. Private sector investment in Project Bank proposals will be managed by the newly-established PPP Center in the MOPF. The Project Bank also acts as a publicly accessible database, promoting transparency in government spending decisions.

In 2018, the NLD government also published a PFM strategy,⁴⁷ which builds on the 12-point state economic policy. The strategy includes plans to ensure the budget is better linked to policy, and is performance-based, and to ascertain clearer revenue and expenditure responsibilities between Union and state/region governments. The strategy also acknowledges a broad range of challenges in ensuring effective PFM, including the insufficiency of existing PFM rules and regulations, and the need to improve budget analysis and reporting. The strategy lists the activities achieved during the first stage of the PFM modernization program (2012 to 2017), those to be completed during the second stage (2018 to 2022), and those to be completed during

the third stage (the 8 to 12 years after completion of second stage). Under the second stage, the strategy includes an aim to “deepen the top-down method of budgeting and integrate with bottom-up requests by Ministries.”⁴⁸ During the third stage the plan is “to complete the integration of budgeting and planning processes so we have a single strategic planning and budgeting system.”⁴⁹

SECTOR POLICIES

In addition to Union government policy, sector line departments have their own policies that guide the planning and budgeting processes through their identification of key departmental objectives and priorities. For some departments and ministries, these plans include explicit reference to the need for developing better planning and budgeting practices as well as PFM reform. For example, the Myanmar National Health Plan (2017–2021)⁵⁰ notes that existing PFM systems and processes are said to “hamper rather than enable”⁵¹ effective service delivery. Bottlenecks are said

to exist throughout the budget cycle, with “a complete disconnect between planning and budgeting functions and cycles.”⁵² Budget allocations are said to be made in the absence of clear and transparent formula, with little consultation with implementers at lower levels and so based on historical allocations rather than by need. The plan notes that restrictions imposed by financial rules and regulations have led to delays in the tendering process, and lack of an operational budget for maintenance (with efforts to permit budget flexibility for maintenance ongoing), as well as challenges in reallocating budgets in-year.

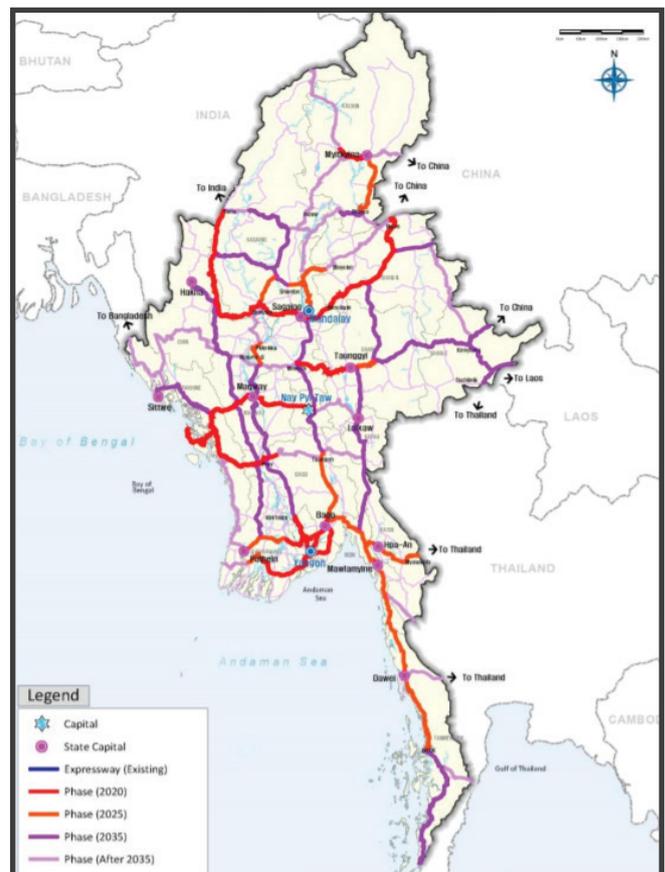
Education: In education, the National Education Strategic Plan 2016–21 (NESP)⁵³ notes the major investments in improving school infrastructure made since 2011–12, with numbers of new schools and classrooms constructed, and existing schools and classrooms renovated, increasingly markedly.⁵⁴ But it also states the challenges many children continue to have accessing schools, and the government’s ambition to ensure that all children in Myanmar have access to a school. The NESP mentions the absence of school

FIGURE 2.2 Phased development of expressways and arterial roads under the National Highway Masterplan

EXPRESSWAY



ARTERIAL ROAD



design and facilities standards, and the need to ensure construction accords with disaster risk reduction and water, sanitation and hygiene (WASH) standards.

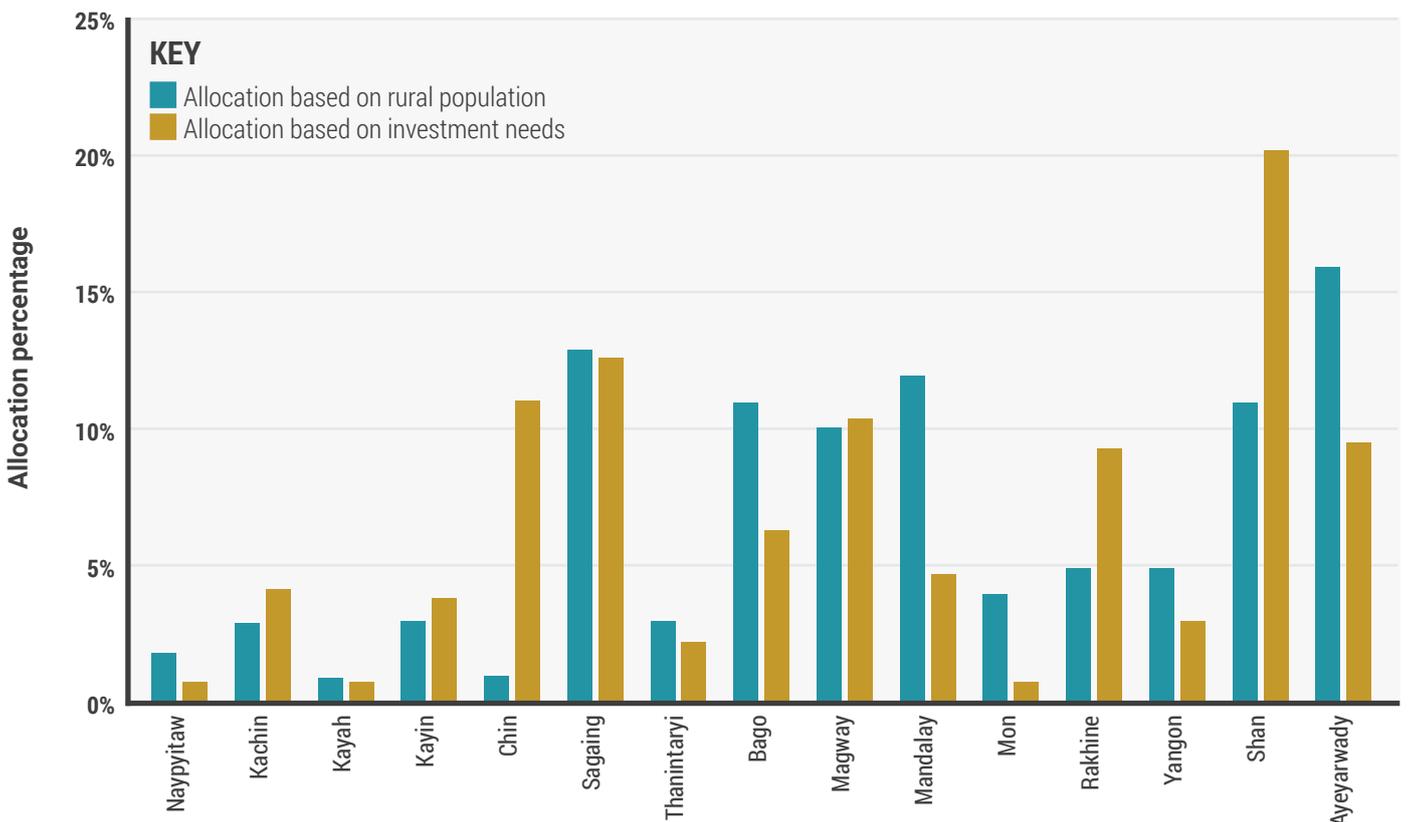
The plan also includes a commitment (Principle 3) to empowering township education officers, headteachers and parent teacher associations (PTAs), so that they are able to make changes to their schools to support implementation of reforms. One example of empowerment under the NESP is the national schools grants program, through which schools have been given more discretion in managing their non-wage current expenditures.

Critically, the NESP acknowledges a need to improve the way spending decisions are made and budgets executed: “Currently, there is no system in place to ensure that spending decisions are driven by policy and programme priorities. Furthermore, finances are not allocated in an equitable way across the education sector... Increased funding needs to be spent more equitably and more efficiently, with some redistribution directed to geographical areas of educational disadvantage and lower socioeconomic groups, combined with gender-responsive budgeting.”⁵⁵

Roads: In the roads sector, the National Highway Masterplan, and the National Strategy for Rural Roads and Access⁵⁶ shape the direction and prioritization of planning and budgeting in the sector. The National Highway Masterplan sets out a phased plan for the development of expressways and arterial roads up until 2035, as shown by Figure 2.2.⁵⁷ Given the nature of building a network of arterial roads, these plans provide important parameters within which annual planning and budgeting takes place.

For rural roads,⁵⁸ the strategy “serves to guide investments in the rural sector over the coming 15 years, ensuring that these investments contribute in an optimal manner to addressing the problems of limited access, providing as many rural people as possible with all-season access by 2030.”⁵⁹ The strategy identifies the significant challenge in meeting the government’s goal of providing all-season road access to at least 80 percent of the villages in each state/region, with nearly 15 percent of registered villages in Myanmar not connected by road, and of those villages that are, more than 40 percent are lined by dry-season roads that become impassable during the rainy season.⁶¹ The strategy identifies priorities for building the rural roads network: villages with more than 1,000 people

FIGURE 2.3 Financing the core rural road network: difference between rural population and investment needs of each state/region.⁶⁰



will be given first priority, all of which will be connected by all-season roads by 2020. The second priority is villages of more than 500 people, with at least 95 percent connected by all-season roads by 2025. Villages of more than 250 people are third priority, with at least 75 percent connected by all-season roads by 2030. By 2030, 50 percent of villages of less than 250 people will be connected by all-season roads.⁶² The strategy includes road standards, specifications, and classifications, and estimated costs for building the core rural road network (MMK 3,400 billion), and maintenance.

The strategy notes that the funding required varies significantly among state/regions and townships, and thus proposes that future allocations take account of existing village access levels in the different states/regions, and of the required investments. Figure 2.3 demonstrates the difference between rural population and the investment needs of each state/region to build the core rural road network.

Electricity: The Union government launched a nine-point National Energy Policy in 2015,⁶³ establishing the Ministry of Energy and Electricity (MOEE) as the lead agency for electricity, and the DRD to oversee off-grid electrification. The MOEE has three major national energy plans, developed in collaboration with international partners: the Asian Development Bank's (ADB) National Energy Master Plan, the World Bank's National Electrification Plan, and the Japan International Cooperation Agency's (JICA) National Electrification Master Plan. As per the National Electrification Project (NEP), the government's objective is for 100 percent household electrification by 2030. To achieve this goal, 7.2 million additional household connections will be needed between 2014 and 2030, at a cost of USD 5.8 billion, requiring a tripling in annual new household connections, from 189,000 in 2014 to 520,000.⁶⁴ While the government is following the five-phase plan of the NEP, the roll out of the NEP is not an accurate planning tool as it does not reflect the actual situation on the ground.⁶⁵

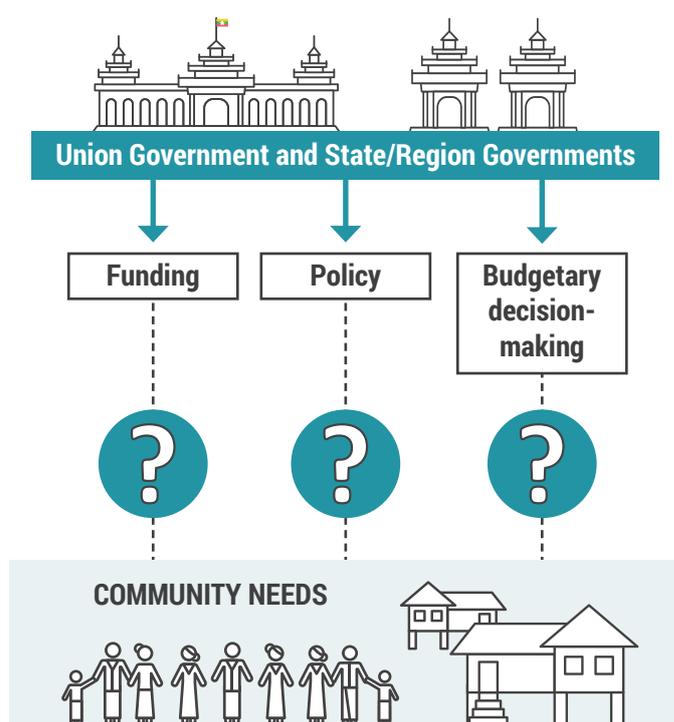
Rural development: Planning and budgeting in the rural development sector is shaped by the Rural Development Strategic Framework (2014), as well as a number of more specific policy documents and strategies, such as the NEP, which outlines the DRD's responsibilities and priorities for off-grid rural electrification in more remote areas.

One further, important strategy is the National Strategy for Rural Water Supply, Sanitation and Hygiene (WASH), WASH in Schools and WASH in Health Facilities (2016).⁶⁶ Under the WASH Strategy, the DRD is responsible for WASH in rural areas and, among other targets, the strategy includes an aim to provide access to potable water supplies and improved water

for other domestic uses for 100 percent of households by 2030. The strategy recognizes that the management of water should be at the lowest appropriate level, and that effective decentralization will require clear roles and responsibilities, capacity development, effective coordination, and sufficient fiscal decentralization. The strategy also notes that the development of services to reach the 2030 targets is "seriously underfunded,"⁶⁷ with little information on the operational costs of services, and whether these are affordable for users.

As per Figure 2.4 Myanmar's framework for planning and budgeting creates a system in which funding, policymaking and budgetary decision-making is the preserve of the Union and state/region governments, and can be described as centralized and "top-down." This situation is of course not unique to Myanmar, but it creates a challenge for governments in ensuring that budgets are responsive to the needs of communities. The policy solution pursued by the government in recent years has been to promote a "bottom-up" planning process, supported by the planning committees and commissions outlined above. How this process works in practice is explored in chapter 3 of the report, with chapter 4 subsequently considering how the practice connects up to budgetary decision-making.

FIGURE 2.4 "Top-down" funding, policy and budgetary decision-making in Myanmar



CHAPTER 3

HOW ARE PLANNING PROPOSALS IDENTIFIED, GENERATED, ASSESSED, AND PRIORITIZED WITHIN TOWNSHIPS?

In this chapter, the process of township-level⁶⁸ identification, generation, assessment, and prioritization of proposals in the planning process is detailed. The chapter compares how this process differs among different sectors, townships, and states/regions, and across different projects, programs and funding sources. It pays particular attention to

the varying levels of community participation in the planning process.

Given that the Union and state/region government budgets constitute the majority of spending by government in Myanmar, the primary focus of this chapter is on the annual process of “bottom-up”

BOX D

Current and capital expenditure

Proposals submitted by department officials are divided between current and capital expenditure.

“Current expenditure” refers to general government expenditure for expenses such as salaries, pension funds, maintenance, purchase of goods and services, and more.

“Capital expenditure” refers to government investments in assets that will last for more than a year, such as vehicles, land, machinery, buildings, and roads.

These definitions are, however, not fixed, and there are numerous examples of expenditure under the Union and state/region governments’ current budgets that would fall within the above definition of capital expenditure.

It is important to note that the role of the Planning Department and the TPIC is managing the process for capital expenditure proposals, with current expenditure proposals generated and submitted internally within line departments, and then reviewed and adjusted by the Budget Department. As a general rule of thumb, township officials have greater discretion and flexibility in developing proposals for the capital budget, given that much current expenditure is determined by existing deployments of staff and facilities.

planning, whereby sector department officials at the township level work with the Planning Department and GAD township administrator to identify, generate, assess and prioritize proposals. Each year, as part of the annual planning and budgeting processes, sector department officials are responsible for submitting current and capital spending proposals to their district and state/region counterparts, having identified and prioritized proposals.

As detailed in Figure 4.1, under the current calendar (with the financial year commencing October) the planning process typically begins in December, when the Union-level Planning Department issues instructions to commence the “bottom-up” planning process for the coming financial year, although some sector departments may start their planning earlier. Throughout December and January, officials and

MPs lead the process of identifying, generating and prioritizing proposals for inclusion in the state/region and Union government budgets for the next year.

Central to the “bottom-up” planning process, and overlooked by many stakeholders in the planning process, is the fact that the role of the local, township level authorities is limited to identification, generation, assessment, and prioritization of proposals, with decisions on which proposals receive funding reserved for the state/region and Union levels. This is because the township-level has no budget of its own, and is reliant on the funding provided from the state/region and Union government budgets. Likewise, there is no township plan in the sense of a multi-sector integrated plan for the all spending within the township as budgets are split between departments, and between the state/region and Union government budgets.⁶⁹

BOX E

What does “bottom-up” planning mean, and what is the “local” level?

As noted in chapter 2, efforts have been made in recent years to strengthen the responsiveness to “local” needs and conditions, through a process of “bottom-up” planning. But what does it mean for planning to be “bottom-up”, and how should we define the “local” level in Myanmar? Two definitions of both terms are observable in Myanmar. In turn, these definitions shape how stakeholders in planning and budgeting view the nature of responsiveness, participation and effectiveness, in how budgetary decisions are made.

One definition, used by government ministers, officials and MPs, defines “bottom-up” planning as a process through which Union ministries, state/region departments, and Union and state/region governments, become more responsive to officials at the lowest administrative level that most departments offices exist in Myanmar – the township. For those at the Union and state/region levels, the “local” level may simply be the township level, as that is deemed sufficiently close to communities to effectively understand their wants and needs.

For others, particularly those from civil society and international nongovernmental organizations, but also from the perspective of certain government officials such as those within DRD, “bottom-up” planning requires participatory planning approaches that involve whole communities, often at the village level. For these groups, the focus of their work is on ensuring that these “local” perspectives of wants and needs are understood by township officials, and the government is encouraged to become more responsive to these communities. For those working in villages, tracts and wards, the “local” level is the level at which individual communities exist, and may mark groups and spaces that are not formally recognized by the government administration.

These two contrasting definitions reflect the realities and legacy of Myanmar’s system of governance, that has, historically, been highly centralized. As a consequence, as the government looks to decentralize, the prevailing paradigm within government is to become increasingly responsive to the existing, lower levels within Myanmar’s administration – a natural progression from the historic situation. For those working at the community level, and who seek to encourage greater responsiveness to this more “local” and inclusive definition of “bottom-up”, a distinct challenge exists in how to link up these efforts to existing government structures and processes, which have not historically been designed to connect with communities.

There are some important exceptions whereby the role of local actors extends beyond identification, generation, assessment, and prioritization. These involve firstly, local development funds such as the CDF and, secondly, special projects and programs that fall outside of the “mainstream” annual planning and budgeting process. With these exceptions, local actors play a greater role in budgeting and financing. For the special projects and programs, many of

which are implemented in cooperation between the government and international partners, not only is decision-making decentralized to lower levels, but the projects promote more inclusive and participatory planning processes. These exceptions are detailed as case studies throughout this chapter, and serve as possible models for the government to integrate into the mainstream planning and budgeting processes in coming years.

3.1 HOW ARE PLANNING PROPOSALS IDENTIFIED AND GENERATED WITHIN TOWNSHIPS?

The first step in the “bottom-up” planning process for township officials from each sector is the generation of planning proposals for the coming budget year, requiring them to identify and understand the wants and needs of local people and communities. Given the differing nature of their roles and responsibilities, the greatest variation in the identification and generation of proposals is across sectors, with variation among townships less stark, but no less significant.

Proposals may be identified routinely throughout the year, with a further, more concentrated effort in the build up to the budget drafting period. For the coming budget year (FY 2019/20) instructions were issued to township departments by the Planning Department in late-December 2018 / early-January 2019 to identify proposals for the capital budget. Individual departments may also receive instructions to plan for both current and capital expenditure for the coming budget year prior to the Planning Department instructions.

SECTORAL APPROACHES TO PROPOSAL GENERATION

Rural development: Proposals generated by township DRD offices display the greatest variation in practice among the different sectors as a consequence of the department’s responsibilities embracing a broad range of activities, and with the department implementing a number of different projects and programs which include novel planning processes. The township DRD office planning process also covers a greater amount of community participation than other departments.

Township DRD offices develop proposals for a broad range of capital investments in rural villages: water supply, rural electrification under the NEP,

emergency housing and farm-access roads, and for new buildings for DRD offices and for staff accommodation. Beyond individual projects, township DRD offices are also responsible for identifying priority villages for rolling out the *Mya Sein Yaung* project (also known as Evergreen Village Development Program), through which revolving funds are established and managed at the village level by a local management committee.⁷⁰ Additionally, and from the DRD’s current budget, township offices generate proposals for staffing, travel, and maintenance, and for livelihoods training for local villages. Finally, DRD township offices also oversee the identification of proposals through three major projects present in some rural townships, each of which focusses on local community participation in the planning process: the National Community Driven Development Project (NCDDP, see case study E for further details), Village Development Planning (VDP, see case study A for further details), and the Enhancing Rural Livelihoods and Incomes Project (ERLIP).⁷¹

Proposals for rural development come from a broad range of sources, with township DRD officers identifying five major sources.

- Township DRD officers: throughout the year, DRD officers visit villages in their townships for a variety of reasons, such as to check on project implementation, within their travel budget constraints. During these visits, conversations with local communities and observations may identify needs and wants, as well as land donations and community support that improves the feasibility of projects. Township DRD officers also draw on longer-term (5-year) plans for development, and other village development plans initiated through specific projects, and keep records of the availability of water and electricity, for example, across the villages in their township.

- Ward / Village Tract Administrators and village leaders / household heads: Township DRD officers report receiving the majority of their proposals, and especially those for water supply and electrification, from community leaders, mostly W/VTAs, village leaders and household heads.
- MPs and ministers: MPs (from both Union and state/region levels) and ministers are said to visit villages throughout the year. During these visits, they are normally accompanied by the township DRD officers, who will record proposals that MPs and ministers generate on the basis of observations and discussions in the community, normally with community leaders.
- Community groups: For proposals such as village electrification or water supply, groups or committees may be formed at the village level by interested parties, who help to organize support and develop proposals, which are then submitted to the DRD, either directly or via the VTA.
- Individuals members of the community: Township DRD officers report that for farm-access roads, proposals are often received from individual or small groups of farmers, who will be the direct beneficiaries of the road.

Proposals are identified throughout the year, with township offices keeping folders of all of the proposals received, which are then reviewed and prioritized when they receive instructions from the district level to submit proposals for the coming budget year. There are no limits on the numbers of proposals the township DRD office will accept from the above sources, prior to review and prioritization.

As explained in greater detail in case studies A and E, proposals for NCDDP, VDP and ERLIP projects are generated through participatory planning approaches, whereby local communities meet to discuss their needs and village development plans

CASE STUDY A

Village Development Planning^{72, 73, 74, 75}

Village Development Planning (VDP) is a DRD-led initiative “with the aim to support and facilitate the process of people-centred participatory village development planning, identification of village development priorities, and mobilization of financing for meeting funding needs for the assessed priorities.” Since its launch in 2015, VDP has been implemented in 8,175 villages in 99 townships (over one-third of rural townships) and has been supported by the multi-donor Livelihoods and Food Security Trust Fund (LIFT), with a LIFT technical assistance team that has contributed to developing the VDP process, and training township DRD officers.

VDP comprises two instruments: (i) the Village Development Plan, a five-year socioeconomic framework for village development, and (ii) the Annual Village Investment Programme (AVIP), which translates the plan into actionable programable activities. The Village Development Plan is developed according to a participatory reflection and action (PRA) approach, ensuring that all a village’s socioeconomic groups are represented and heard, utilizing a combination of village-wide mass meetings and focus group discussions, which include livelihoods/occupations (such as farmers or fishermen), women, elders, youth, and poorer persons groups. These meetings and discussions are used to create a comprehensive set of multi-sectoral planning data tables pertaining to the village socioeconomic profile, current development situation, potential, barriers and challenges, goal and strategy, and priority projects. The process is enabled by PRA facilitators from the township DRD office. Each year, as of FY 2018/19, the DRD assigns MMK 10 million per VDP village to fund activities from the AVIP, ensuring that the process results in demonstrable developments for the community.

The VDP provides one model for the identification of local needs and wants, with community participation central to this process. Crucially, the VDP also ensures funding by the DRD for some of the priorities identified by communities. In its current form, the VDP has been less successful in mobilizing financing from departments other than DRD, with the challenges in inter-departmental coordination and the lack of local budgets to finance projects acting as barriers. In response, the Township Rural Development Strategy and Programme (TRDSP) has been developed and piloted in 12 townships. The TRDSP envisages a means of consolidating and integrating village development plans at the township level, through the TPIC and supported by the Planning Department, so that a broader range of township departments share ownership of village development plans.

are formed which reflect these locally-identified needs and priorities.

Roads: There is a marked difference within the roads sector between proposal identification generation in the DOH and the DRRD. For highways, the township DOH identifies proposals for the capital budget that comprise the building and upgrading of highways (and some bridges), and proposals for the current budget covering staffing, operating costs, such as electricity and transport, and road maintenance. Capital investment proposal generation is a largely technical exercise for the DOH. Based on the department's medium (5-year) and longer-term plans, there are often existing plans for the building of new highways and the upgrade of existing highways, through widening and/or resurfacing, that will take multiple years. It is therefore common for the township Department of Highways to generate proposals that build on the current year's investments, starting from where these will finish. Additionally, township officers report receiving increasing numbers of proposals from MPs and ministers in recent years, often for upgrading existing highways. For the maintenance of existing roads, the Department of Highways will routinely receive notifications from local community leaders, such as W/VTA, that there is an issue with a road, such as potholes.

The DRRD is responsible for capital budget proposals for the creation and upgrading of rural roads, as well as proposals for the current budget comprising staffing, operating costs, such as electricity and transport, and road maintenance. Proposals for new roads and upgrades to existing roads come from a wide range of sources, including from township department staff, based on their community visits, knowledge of existing network and community needs, and on longer-term planning to build the core rural roads network. In addition to those from township department staff, proposals are received from MPs and ministers, and from community leaders, particularly W/VTAs and village leaders. Given the department's recent creation, some township offices are in the process of being established and provided with a budget for operations.

As demonstrated by figure 3.1, the roads sector is best understood in terms of a network comprising "levels" of infrastructure: community, intermediate, and strategic, with each of these levels forming different types of road, from intra-village roads up to Union highways, and each with their own responsible departments and funding sources. How proposals are identified thus varies in relation to the level of infrastructure, with community-driven identification for smaller-scale community-level infrastructure built through projects such as NCDDP, to the use of strategic and longer-term planning by the DOH for

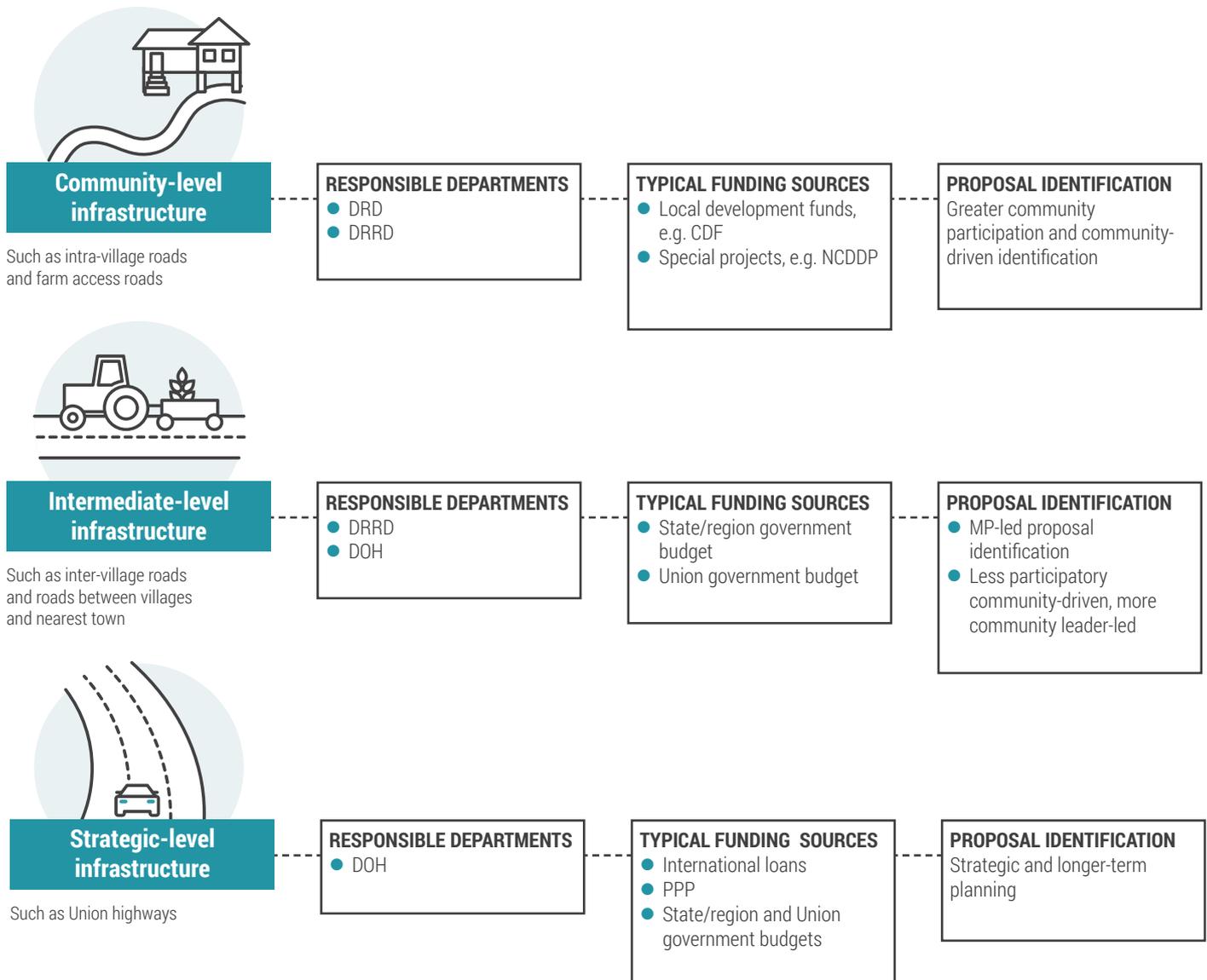
strategic-level infrastructure.

Electricity: Township ESE offices are responsible for generating proposals for capital investments, most notably in proposals for village electrification (via 11KV lines). For the current budget, township offices generate proposals for staffing and for operating costs such as electricity and transport. Historically, the identification of villages for proposed electrification followed the department's longer-term planning, building off the broader grid network, i.e. 66KV and 33KV are extended to villages close to the grid, with higher populations would be prioritized. Township ESE officers continue to develop proposals based on these technical considerations, but also report increasingly receiving proposals from MPs and ministers, either based on ministerial pledges made in parliament or following field visits. ESE officials report some examples of W/VTAs proposing villages for electrification in some of their areas whilst in some villages, local village electrification committees are established by interested villagers to organize and generate support for proposals.

Education: Township DBE offices generate proposals for capital expenditure, predominantly for new school buildings, and current expenditure, including investments in school access roads, school fencing, toilets, as well as staffing, operating costs, such as electricity and transport, and maintenance.

The primary source of proposals for new school buildings and for school improvements (fencing, toilets, and access roads) are school headteachers, who are responsible for identifying needs and developing proposals. In some schools, this work is done jointly between headteachers and school committees, which feature community members, including respected elders and parents of students. In some townships, and for schools where headteachers are less proactive in generating proposals, deputy township education officers will develop proposals on behalf of headteachers. Some headteachers are reportedly less active due to the amount of work required to develop proposals and their low confidence in receiving funding.⁷⁶ Indeed, generating proposals for new school buildings or facilities can be resource intensive, with a single proposal requiring request letters, detailed specifications (which sometimes require the involvement and agreement of township engineers), the completion of several forms relating to the school's condition and students, letters of support from W/VTAs, cost estimates and specifications, systems maps, land certificates to prove land ownership, photos, and reports from the headteacher. In response to this work, the Township Education Officer (TEO) in one township requested proposals for new school buildings only from headteachers

FIGURE 3.1 “Levels” of infrastructure in the road sector, their funding sources, proposal identification and community participation



of schools that had a “realistic” chance of receiving funding. However, in others, there were no limits on the numbers of proposals that could be submitted to the TEO.

In addition, township offices receive proposals for new school buildings, or for school improvements, from MPs and ministers. When these are received, township officials will develop proposals in conjunction with headteachers.

THE ROLES OF MPS, MINISTERS, AND W/VTAS

Across all sectors and all townships, township department officers report the increasing involvement of MPs and ministers (particularly those from the state/region governments), in providing proposals for capital investments. This includes MPs from all houses of parliament: state/region, Amyotha and Pyithu. Department officers are, without exception, required to record these proposals. In some cases, officers also

sign a letter of agreement with the MP concerned on priorities recorded, to avoid future misunderstanding. These proposals that may be received directly by the departments, come via the GAD or Planning Department, and may be recorded by township staff during field visits, or come about through parliamentary discussion, whereby MPs raise questions and ministers make pledges to implement activities. Ministers, through their power to review proposals for government budget funding, and MPs, by virtue of their roles on the TPIC and in reviewing the budget, play important roles in the subsequent assessment, prioritization and decision-making on which proposals receive funding – these functions are detailed in the coming sections. MPs play a leading role in the identification and selection of projects that receive funding from the Constituency Development Fund (see case study B).

Township department officers also report that W/VTAs are increasingly active in proposal identification and generation, although this varies among W/VTAs, townships and sectors. In addition to direct engagement between W/VTAs and department officers, W/VTAs meet with the GAD Township Administrator on a fortnightly or monthly basis, with meetings often attended by sector department heads. At these

meetings, W/VTAs are expected to provide updates on any new community needs that may require funding. Most townships visited as part of this research, reported that the Planning Department and GAD also now issue instructions to W/VTAs to collect and formally submit proposals⁷⁷ for the coming budget year. In some townships, these proposals are submitted to the Planning Department or Township Administrator, who then share with sectoral departments. In others, proposals are to be submitted directly to the sector departments. W/VTAs also receive instructions from Township Administrators to submit proposals for local development funds, including the CDF, and poverty reduction funds in townships where it is present.

In some townships, while ad hoc proposals may be submitted by W/VTAs, the routine involvement of W/VTAs in the annual planning process is less developed. Township officials also note significant variations in the level of engagement of different W/VTAs in submitting proposals. Some W/VTAs are proactive in developing detailed, well-evidenced proposals, which the W/VTAs subsequently lobby departments to ensure they are prioritized. Other W/VTAs may submit fewer proposals, or incomplete proposals that departments are unable to support. These W/VTAs are reportedly from more

CASE STUDY B

Constituency Development Fund^{79,80,81,82}

Through the CDF, each township is allocated MMK 100 million for township committees, which are led by one township MP (the committee's composition and mandate is detailed in chapter 2) and are responsible for determining how best to spend in support of improving local socioeconomic conditions, subject to approval by the Union hluttaw. The CDF provides a model for township-level discretion over resources, particularly in relation to small-scale infrastructure investments.

A recent Union Auditor General office report shows that the bulk of money is spent on the repairing and construction of rural roads and bridges, with a significant amount also spent on water supply projects. A small amount of money is spent on education, health and electrification projects. Township-level officials report that most projects are small-scale. The average value of a road/bridge project is under MMK 3 million.

In identifying projects for CDF funding, township-level officials and W/VTAs report that W/VTAs have an important role in identifying potential projects to receive funding, with W/VTAs demonstrating varying practices in community engagement to identify projects. W/VTAs may be asked to submit 3 to 5 proposals, perhaps once or twice a year, for the committee then to consider.

There have been calls by some to promote greater citizen participation in the identification of proposals and subsequent decision-making with regard to CDF projects. State/region Auditors General have found that there are examples of wasted resources and inefficiencies in project implementation, and that project teams do not always follow rules and procedures, providing evidence of opportunities to improve the delivery of the CDF. Additionally, research on CDFs in other countries have found that there are significant risks in ensuring accountability of CDFs, where MPs are no longer able to act in their oversight role.

BOX F**Ward / Village Tract Administrators and household heads⁸³**

The role of Ward / Village Tract Administrator (W/VTA) has been amended since the passage of the 2008 Constitution, as has the process for their election. The Ward or Village Tract Administration Law, first passed in 2012, had the significant effect of providing for elections, although indirectly. Previously, no elections were held, and GAD township administrators directly appointed W/VTAs. Since the first round of elections (late 2012 / early 2013), the law has been amended twice (January 2016 and December 2016). Under the current system, representatives from each household elect 10-household leaders. Household representatives then elect a 100-household leader from the elected 10-household leaders. If there is only one elected 100-household leader, he/she will automatically become the W/VTA. Where multiple 100-household leaders are elected, household representatives vote again to elect a W/VTA.

The role of the W/VTA is to assist in the maintenance of law and order, monitor development projects, and help with poverty reduction, birth and death registration, collecting land revenue, and other duties assigned by the Township Administrator and government departments in accordance with the law. The inclusion of local development responsibilities is a notable change. The W/VTA is not a civil servant and does not receive a salary, but is supported by a clerk from the GAD. The role of the 100- and 10-household leaders is not clearly defined under the law, other than their involvement in the W/VTA election process, and to support the W/VTA in their safety and administrative duties.

remote communities, or where W/VTAs have less ability to write or speak Myanmar, or where W/VTAs have lower levels of education.⁷⁸ These W/VTAs are likely disproportionately located in less developed or conflict-affected areas, raising questions of how to best to support all W/VTAs to make a meaningful contribution to the planning process.

There are further variations in the level of engagement between W/VTAs and different departments. For some departments, most notably the DRD and DRRD, there are more established linkages between community leaders and department officials, as officials routinely spend more time in local communities meeting with leaders.

There are also variations in the practices of W/VTAs in how they identify local wants and needs. The most common mechanism is for W/VTAs to meet with other community leaders: village leaders, 100-household heads, 10-household heads, respected elders, and religious leaders. This group of leaders, still referred to by some W/VTAs as the Development Support Committee, meets regularly in many areas and serves as mechanism for the W/VTA to maintain an up-to-date sense of priorities in their respective areas. Indeed, many W/VTAs are able to articulate detailed and extensive lists of what they perceive to be the priorities in their areas.⁸⁴ Some W/VTAs consult more widely in identifying local priorities, meeting with local community groups, or holding village mass meetings in which villagers discuss and agree the greatest

needs. However, some W/VTAs are concerned that more extensive public participation in identifying needs and wants, generates unrealistic expectations from communities of what the government will be able to provide. One VTA, for example, stated that she routinely holds more extensive public consultations to identify needs for local development funds such as the CDF and PRF, because she has greater confidence that the proposals will receive funding. However, for the annual planning process, she meets solely with community leaders as she knows that the proposals identified are unlikely to receive funding.⁸⁵

With local development funds, community engagement can be particularly important as there may be expectations that communities cofinance projects. For example, under the PRF in one state, communities are responsible for financing 50 percent of a project. Once funding is identified, applications can be made to the township administration for funding, through monthly meetings between W/VTAs and the Township Administrator, with a decision made by the TPIC.

Further consideration should be given to support W/VTA in meaningful engagement about local priorities. At present, however, there is no detailed nationwide guidance or training available to W/VTAs or other community leaders, on how to engage with communities or assess local needs; further research would be needed to assess how “representative” community leaders are in identifying community needs. Indeed, there is a disproportionate number of male

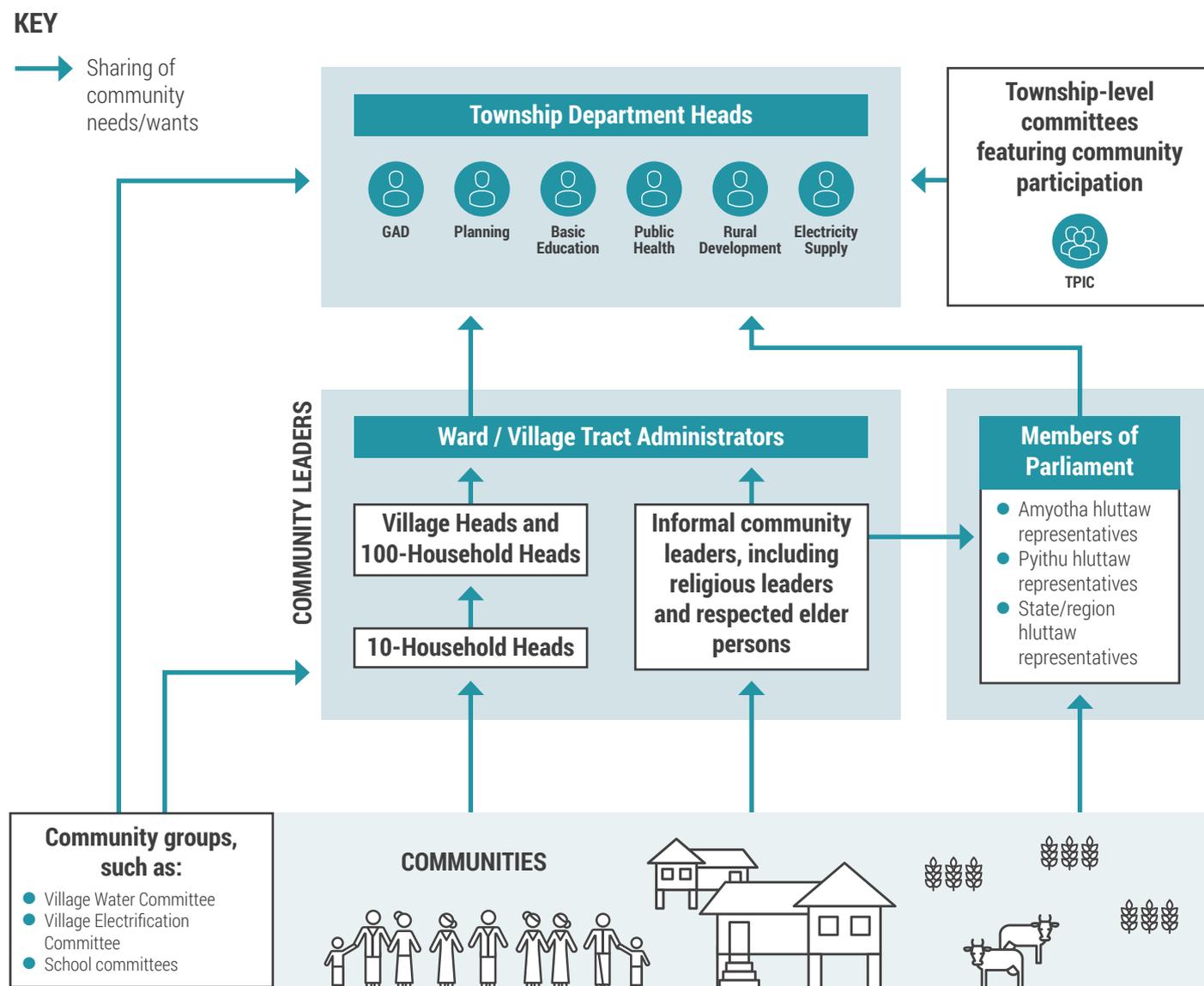
community leaders,⁸⁶ for example, which may mean that women's voices are marginalized, and some reports of VTAs consistently favoring projects within their own villages, at the expense of other villages in the village tract.⁸⁷

W/VTAs also face other constraints, such as limited travel budget, which may restrict their ability to visit more remote villages in their areas. Despite these constraints, numerous studies have shown W/VTA to be the main person people seek out to resolve issues and disputes, and make decisions.^{88,89,90,91}

OPPORTUNITIES FOR COMMUNITY PARTICIPATION IN THE PROPOSAL GENERATION PROCESS

Levels of community participation in the proposal identification and generation process vary among townships and sectors. There are also different forms of community participation, with diverse levels of participation, inclusiveness and representation. Figure 3.2 visualizes community involvement in the “bottom-up” planning process for the annual state/region and Union government budgets. The most common forms of community participation include:

- **“Community leaders”:** Along with representation from MPs, department officials report that the most common means for public participation in the identification of wants and needs is through their community leaders, including W/VTAs, village leaders, 100- and 10-household heads, respected elders and religious leaders. Of these, W/VTAs often act as the main conduit between community leaders and department officials. As (often life-long) members of their communities, community leaders are able to extensively identify and articulate local needs,⁹² but as detailed above, there are varying practices among townships and sectors, with community leaders in some areas much less effective in generating proposals, as well as questions over the inclusiveness of decision-making by community leaders. The dynamics of power and leadership in communities vary significantly among villages and village tracts across Myanmar. In some areas, for example, particularly conflict-affected ethnic minority areas, alternative and parallel leadership structures of customary leaders exist. Any project or organization considering working at the local level in Myanmar should understand well the political economy of the villages they intend to work in.
- **MPs and ministers:** As described above, MPs and ministers play a leading role in identifying project proposals. It is a common refrain of officials and those in government, that MPs are the representatives of the community, and thus are the voice of the community in the planning process. And as elected representatives, MPs have the incentive of the ballot box to effectively represent the wants and needs of their constituents. As with community leaders, the ways in which MPs engage with local communities vary, but MPs typically say that they are aware of local needs and wants through their field visits and meetings with communities, though these may be confined to community leaders. There are some limits to note on the ability of MPs to act as effective representatives of their whole constituency: firstly, Amyotha and Pyithu representatives spend a significant proportion, if not the major part of the year in Nay Pyi Taw and are thus not always present in their communities. Additionally, with townships as large as 250,000 persons, it is challenging for representatives to act as an effective conduit for such a vast constituency.
- **Ethnic Armed Organizations:** In some areas of Myanmar, and particularly in relation to signatories of the Nationwide Ceasefire Agreement (NCA) that have more established working relationships with government and local officials, EAOs may also submit proposals for infrastructure developments to department officials. For example, some department officials in townships in Kayin State reported receiving proposals from the Karen National Union (KNU).
- **Direct engagement with department officials:** Outside of special projects/programs, there are no routine opportunities for community members other than community leaders to identify and generate proposals. Community members may have improvised opportunities when department officials visit their communities, which is more common for departments such as Rural Development and Rural Roads Development. There are also limited examples of ad hoc proposals for projects provided by community members to departments, such as for farm-access roads. This is also more likely where community members have a personal relationship with officials, and so there is established trust.⁹³ Many community members may not have easy access to towns and so are limited in their ability to directly engage with officials.
- **Community groups:** In many communities, groups form, often at the village level, over issues such as water supply or village electrification, that help to mobilize communities in support of projects and to engage with department officials. These groups have their origins in the widespread and long-standing associations of *ko thu ko tha* projects,

FIGURE 3.2 Community involvement in the “bottom-up” planning process


where communities design, finance and implement their own local projects to meet community needs. These groups will often include community leaders, such as 10- and 100-household heads, or be acting with the knowledge and involvement of village leaders and/or W/VTAs.

- **Political parties:** In a small number of townships, department officials said that the office of local political parties was also active in identifying wants and needs, and proposing projects to MPs and township authorities, particularly in relation to smaller-scale infrastructure to be funded, for example, through the CDF.
- **Special projects/programs:** Projects such as NCDDP, VDP, and ERLIP provide communities with

more systematic and participatory approaches for identifying and articulating community wants and needs – see case studies A and E. It is worth noting that the infrastructure supported by special projects/programs, which utilize participatory approaches, tend to focus on community-level infrastructure, such as water supply projects, intra-village roads, school improvements etc.

The majority of routine and formalized opportunities for community participation therefore rest on MPs and W/VTAs as conduits between government and communities. More research is needed to understand how effective these individuals are as channels, and to identify good practice. It is likely, however, that MPs and community leaders would benefit from guidance and support to strengthen their ability to

facilitate meaningful and representative community participation.

One notable observation in the identification and generation of project proposals is the absence of civil society organizations (CSOs) in acting as a conduit between local communities and department officials in the ten townships included in this research. No department officials reported CSOs providing proposals for priority projects, and there is currently no established mechanism in the townships for department officials to receive proposals from them or other civil society actors. CSOs can play an important role in identifying local needs and, in particular, can give voice and enable the inclusion of groups that are often marginalized, including ethnic or religious minorities, indigenous, transient or migrant populations, those with stigmatized health conditions or occupations, and LGBTQI groups and individuals.⁹⁴ There are a number of ongoing projects and programs in Myanmar that are supporting CSO engagement with government over planning and budgeting processes, including Oxfam, ActionAid Myanmar (see case study C) and The Asia Foundation. It should also be noted, however, that there are areas within Myanmar, particularly in more remote

and rural areas, where CSOs and community-based organizations may be less active or even absent.

While all communities should be free and supported to participate in the identification of local needs and wants, community participation is particularly important in conflict-affected areas, where communities may have less trust of the government, and less confidence that the government understands and will be responsive to local priorities. Firstly, investments such as roads have the potential to increase existing tensions, at times leading to renewed armed conflicts.⁹⁵ Secondly, past “development” projects under military governments were undertaken by the Tatmadaw and “crony companies,” with little regard for the affected communities, leading to displacement of local people in some examples.⁹⁶ Additionally, in conflict-affected areas, the above issues of land ownership become even more pertinent as it is more likely to be contested. It is therefore critical that communities in conflict-affected areas have meaningful opportunities to articulate their priorities, and for communities to have a significant role in decision-making on which projects are prioritized (see section 3.2).

CASE STUDY C

ActionAid's CSO Platform

Building on its experience of village-level participatory planning through its “Village Book” project and work on inclusive township planning, ActionAid Myanmar is now implementing its CSO Platform project, which aims to strengthen the capacity of civil society actors and expand avenues for participation. The CSO Platform is a collective of CSOs, community-based organizations, and nongovernmental organizations, and other representative bodies, seeking to build spaces for participation and increased community involvement in government decision-making. The CSO Platform seeks to work as a bridge between government and community organizations.

The collective brings together all civil society actors working in a particular area (be it a village tract or township, for example) and supports them to develop a shared vision and action plan for the advancement of community needs. The action plan, developed in consultation with communities, facilitates collective problem identification, and includes an agenda and actions for engaging with township-level authorities and MPs, and with state/region governments and hluttaws, as necessary.

The CSO Platform seeks to represent the poor and marginalized groups, facilitate the identification of issues and solutions, support engagement with government, monitor project implementation, and allot a mechanism for providing feedback. Its ultimate goal is to support the improvement of government service delivery, particularly for example, in relation to supporting gender-responsive public services.

The CSO Platform is currently operating in ten townships across seven states/regions, with plans to expand to two further townships in 2019.

3.2 HOW ARE PLANNING PROPOSALS ASSESSED AND PRIORITIZED WITHIN TOWNSHIPS?

Having identified a broad number of potential proposals for expenditure, as the second step in the “bottom-up” planning process, township department officials are responsible for assessing proposals and determining their feasibility, before prioritizing them. In recent years, TPICs are increasingly responsible for reviewing and assessing the sector department proposals, before submission to higher levels. How TPICs function in practice varies significantly among townships. All sector departments have technical criteria which, when combined with their knowledge of local conditions, supports their assessments of proposed projects and their prioritization. Figure 3.3 provides an overview of the planning, and subsequent budget process.

Project proposals are provided a level of prioritization, and graded either first, second, or third. Within each grouping, projects may be ranked again, so first-priority projects may be listed 1, 2, 3, etc. It is not uncommon for the majority of a township department’s proposals to be determined as first priority, as officials have little confidence in second and third priorities receiving funding. The Highways Department in one township, for example, submitted the following ranked projects: 80 first-priority, 40 second-priority, and 20 third-priority. Similarly, the rural roads department in one township submitted first priority projects that were six times the value of all of the second and third priorities combined. Across all departments, proposals originating from, or supported by MPs or ministers, tend to receive the highest prioritization. Officials across departments report that there is an implicit assumption, if not explicit instruction, to prioritize MP and minister proposals. Many officials reported that this led to the “real” needs of communities being overlooked.⁹⁷

Having progressed from the township level to the district level, proposals are subsequently reviewed by district sector departments, and by the DPIC. As a general rule, the review at the district level does not include the addition of new proposals, significant amendments to or cut-backs of proposals. Instead, the district level is responsible for ensuring proposals comply with technical criteria, and for combining the township proposed plans. Critically, both township and district levels assess and prioritize project proposals without indicative budget ceilings. As a consequence, officials have few incentives to reduce the number of proposals to a realistic amount.

While proposals may be assessed by township departments throughout the year, as and when they

are received, the bulk of proposal assessments, and the prioritization of proposals occur in the build-up to the coming budget year. For the coming budget year (FY 2019/20), sector departments were required to submit proposals for capital budget investments to the Planning Department and TPIC in mid- to late-January, with the TPIC meeting in January or early-February to discuss proposals. Following the TPIC meetings, sector departments submit proposals (as well as their current budget proposals) to the district level. In some sector departments and townships, however, officials are required to submit to the higher levels before the TPIC meets, so that they comply with their own Ministry’s timeline for planning and budgeting. Upon receipt of proposals at the district level, departments and the DPIC typically have 2 to 4 weeks in late-January and February to review proposals.

SECTORAL APPROACHES TO PROPOSAL ASSESSMENT AND PRIORITIZATION

In the absence of township budgets and plans, which would encourage township officials to consider the needs of communities as a whole, the bulk of proposal assessments and prioritization is done within the sector departments.

Rural development: Given the broad range of projects the DRD is responsible for, there are a number of different approaches to project appraisal and prioritization. Some general observations can be made however. In assessing the feasibility of projects, an increasingly important criterion for DRD officials across all of their projects is the availability of land, as land must be identified and donated by communities or individuals in support of projects. For some DRD officials,⁹⁸ the absence of land donations serves to limit the number of projects they are able to propose and, in one township, this meant that they were proposing far fewer projects than they had received funding for the previous year. Beyond land, certain projects, such as rural electrification under the NEP require communities and/or individuals to part-finance the project.⁹⁹ The ability and willingness of communities or individuals to pay becomes a further important limit on the number of projects that are feasible. For each type of project, there are also technical criteria, set by the Union level, which shape proposals. For example, the type of water supply project to be proposed will depend on the local

topography, number of villagers, current access, and availability of water, amongst other criteria.

When prioritizing projects, the most important consideration is the number of beneficiaries, normally taken to mean the number of inhabitants in the village the project will be based. Township department officers also talked of “smoothing” spending across villages in their townships, so that the same villages do not receive a disproportionate number of projects in a given year, or so that the same villages do not receive projects year after year. Finally, those projects proposed by MPs or by ministers on field visits, or pledged in parliament, are given automatic first priority.

For projects such as NCDDP and ERLIP, as outlined in case study E, the process of appraisal and prioritization follows another, distinct model.

Current budget proposals, particularly those relating to staffing costs and operational costs such as electricity and transport, are shaped by departmental policy, and are often based largely on historic spending and the amount received in the previous year’s budget.

Roads: For the DOH, proposals are to be assessed and prioritized according to the number of journeys on a given road (assessed as annual average daily traffic). In practice, this data is hard to collect for many roads, and so township officials tend to rely on a judgement of the relative prominence of a road. In each township, there may be one or two roads which are considered priority roads, as they connect the township’s main town to the state or region capital, or are the main roads connecting the state/region to others, and so are strategically important for trade or the national highways network. For the construction of new roads, priorities for the coming year will normally be to extend the road from where this year’s budget has reached. For road upgrades and maintenance, assessments may be made of the relative deterioration of the road and how urgent investment is needed. In a number of townships, DOH officers reported that surface improvements to existing roads are given first priority, with road expansion given lesser priority. The proposals of MPs and ministers are given top priority.

In assessing the relative merits of proposals, DRRD officials prioritize roads to villages on the basis of the number of villagers and villages, that will benefit from the road, with some consideration given to the effect on the overall development of the road network. As shown in annex B, townships keep maps that show the overall network and villages in their areas, which are used as references in the development of the network. The consolidation of the “core rural roads network,” to maximize connectivity, is often cited. In one township, an official was prioritizing on the basis of local knowledge of village conditions, such as prioritizing

all-weather roads for particular villages that had begun to grow cash crops that would be ready for market during the rainy season. Proposals made by MPs and ministers are given first priority.

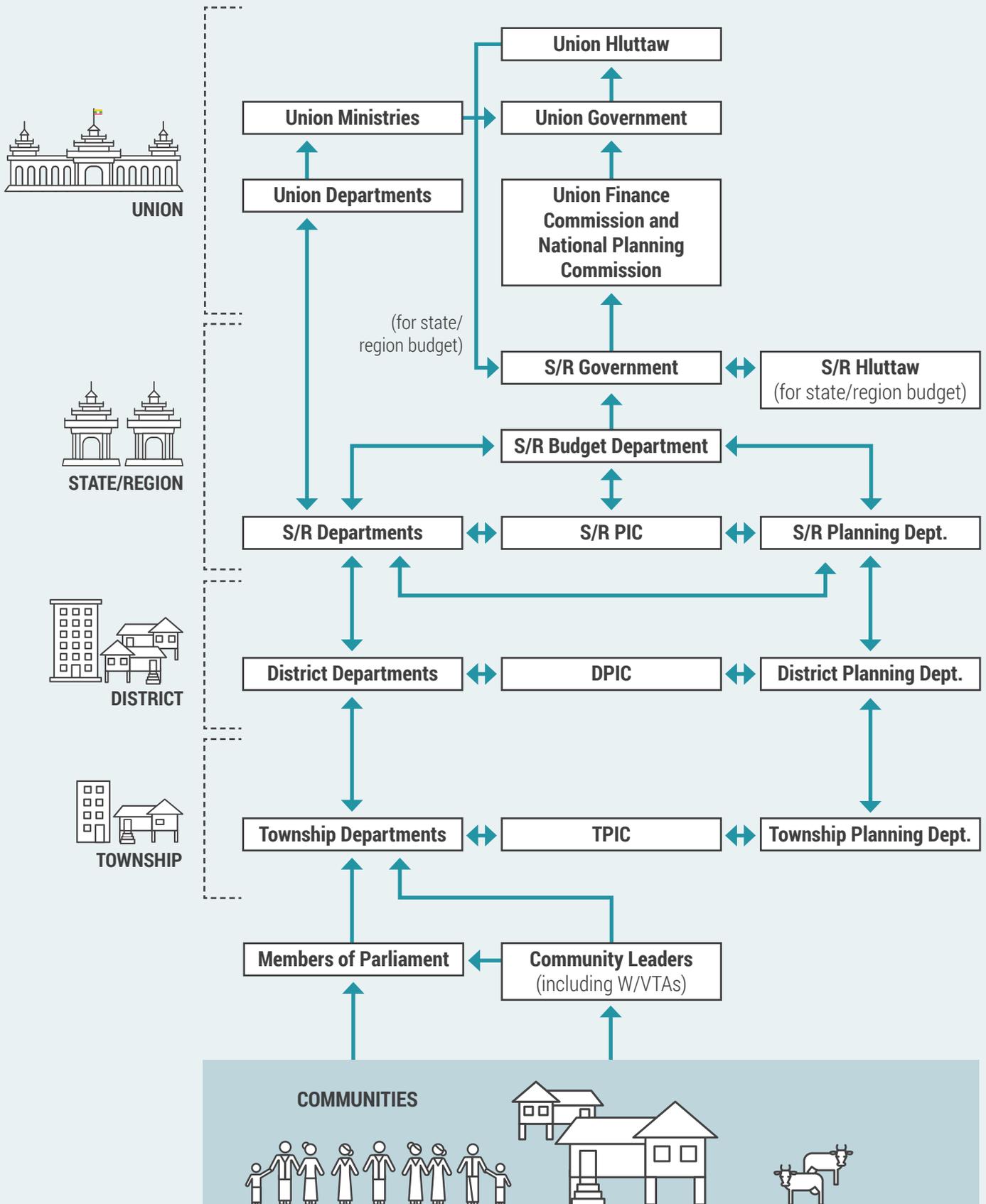
For the DRRD, the availability of land is an important criterion for determining project feasibility. A further important factor in project assessment is the ability of department officials to visit the locations of proposed projects, in order to develop a proposal with the requisite technical information. Department officials in one township reported that they did not have enough resources (staff and transport costs) to visit all proposed sites, and so had only been able to take forward proposals for the small proportion of proposals they were able to visit. This may mean that villages in more remote locations are disadvantaged as department officials are less likely to be able to visit.

Electricity: For township ESE offices, the feasibility of project proposals for village electrification is, first and foremost, related to the extension of the 66KV and 33KV grid, upon which 11KV village electrification lines rely (annex C provides a state-level plan example of grid network extensions). Beyond this, department officials assess the ability and willingness of villagers to pay for connection to the grid upon arrival. While the ESE funds the 11KV line to a village, individual households in rural areas (but not those in urban areas) must pay to be connected to the grid.

Once projects are assessed for feasibility, they are then prioritized. As per MOEE policy, villages within two miles of the existing grid are to be given first priority, within five miles second priority, and within 10 miles third priority (with villages beyond ten miles eligible for electrification by DRD). In practice, to ensure efficiency, township officials will tend to focus on a batch (or batches) of villages that are near to each other each year, rather than simply a scattered group of villages that are each within two kilometers of the existing grid. Officials will also consider the number of beneficiaries (villagers) of the connection. In some townships, the upgrading and strengthening of the network in urban areas is receiving priority over village electrification. Proposals by MPs and ministers are to be prioritized, although the technical constraints in the existing grid means that not all proposals are feasible within the coming budget year.

Education: For the DBE, for a new school building proposal to be considered feasible, proposals have to meet one of three criteria: the existing school building is dangerous, the existing school building’s “image” is unacceptable, or an increase in student numbers necessitates a new building. Township officials tend to prioritize schools with buildings considered dangerous. In Chin State, schools affected by natural disasters (not an insignificant number each year) are given priority.

FIGURE 3.3 Planning and budgeting process for Union and state/region budgets



Deputy Township Education officers are normally responsible for visiting schools to assess whether headteachers' proposals reflect genuine need. Beyond the criteria, the number of students per school is used to help determine prioritization. The number of students is also used when considering the prioritization of school upgrades, such as access roads, toilets and fencing. Proposals by MPs and ministers are given first priority, and proposals include a comments column that clearly state if a project is supported by an MP or minister.

In the absence of a budget ceiling and technical constraints (such as in village electrification, where there needs to be an existing 33KV grid nearby) that serve to create a hard limit on the number of proposals submitted to higher levels, the number and value of proposals for both new school buildings and school upgrades tend to amount to many times the final budget. In one township, for example, proposals for more than 110 new school buildings and about 150 school improvements were submitted, with fewer than 20 new school buildings funded. Township officials state that they believed that the more proposals they generate, the more will receive funding, and so will actively submit additional proposals they know will not receive funding.¹⁰⁰ In only one of the ten townships visited, DBE officials submitted proposals with consideration to the number that could be realistically funded.

THE ROLE OF THE TPIC AND DPIC

At the township level, the TPIC is responsible for assessing and agreeing the prioritization of proposals before their submission to the district level and above. How TPICs function in practice varies greatly among townships, with TPICs in some townships playing a more passive role, and others are areas of greater challenge and contestation over the feasibility and prioritization of projects.

Proposals should, in theory, be sent to the TPIC for approval before submission by sectoral departments and the Planning Department at the district level. However, in practice, in some sectors, and across all three townships in one of the states involved in this research, TPIC meetings were convened after the sector departments were required to submit their proposals to higher levels, undermining the role and influence of the committee.

In Kayin State, where the role of the TPIC is more institutionalized, proposals may be sent to the Planning Department and GAD in the days building up to the TPIC meeting, or may be shared with all TPIC members for their consideration before the meeting.

In other townships, proposals are not shared by sector departments before the meeting.

The approach on proposal appraisal varies greatly among townships. In some townships, line department heads (sometimes for all departments, or for only the more prominent departments, such as Highways, DRD, and Education, for example), each present their proposals. These may be for all proposals, or for the coming year only, with the principal aim of ensuring other departments are aware of plans and to ascertain that there is no overlap in projects – for example, between ESE village electrification plans and DRD village electrification proposals. In other townships, all departments are expected to present all of their proposals and comments. On the whole, however, most department officials report that officials tend to respect the proposals and relative prioritization of other departments. In some townships, GAD Township Administrators are said to adjust relative priorities of different projects. GAD Township Administrators may also remove smaller projects from sector plans, where an alternative source of funding, such as from the CDF or PRF, has been identified. For the PRF, for example, the TPIC is responsible for deciding which projects receive funding.

Given the differing approaches to project appraisal across TPICs, the length and frequency of meetings varies. In some townships, the process of reviewing all proposed investments goes on for as long as three days. In others, the meeting lasts around two hours. The most common length is one day (from 10am – 3pm, with speeches from MPs at the start of the meeting). Given that TPICs may be responsible for appraising between 250 and 600 proposals, it is questionable how effective project appraisal can be in many townships, where the committee is expected to appraise multiple projects every minute. In these townships, at best, overlap in projects can be identified, top priorities can be reviewed, and certain sensitive projects can be discussed. Here, the TPIC can operate in a “coordination” role, but cannot effectively appraise projects.

The level of involvement of MPs also varies among townships, with some Planning Department officials reporting that it is a significant challenge to ensure the attendance of all township MPs. Understandably, given their commitments in Nay Pyi Taw, and the fact that some Amyotha MPs' responsibilities cover multiple townships, Union parliament representatives' attendance is lower than state/region MPs in some townships. Despite this, officials report that MPs are active participants in TPIC meetings and, in some townships, the principal contestation over project appraisal is said to be between different MPs who are keen to ensure that their proposals are prioritized over others. Indeed, in one township, the GAD

Township Administrator had decided to remove the prioritization of sector plans during the TPIC meeting, to be subsequently agreed between him and the Planning Department, as they reported that MPs could not reach agreement over plans. In other townships, some departments are required to receive the written signatures of MPs on their proposed plans before they can be submitted to higher levels.

In addition to MPs, TPICs include “community representatives” in the form of representatives from the private sector, with farmers, industry, and service sector representatives, and respected elder persons (as many as five in some townships). The GAD Township Administrator is responsible for identifying and appointing appropriate individuals for these roles, with the discussion and agreement of other TPIC members. Planning Department officials report that, in some townships, there are no active “community representatives” on the TPIC. In others, representatives attend meetings but tend not to actively participate in discussions. There is thus a missed opportunity, at present, in many townships to have an external, different perspective on the wants and needs of the community, and to actively represent communities in the prioritization of projects.

Following the review of the TPIC, proposed plans are reviewed by district sector departments and by the DPIC. DPIC members (and their district department official counterparts) report that they do not seek to make significant amendments to proposals sent from the townships.¹⁰¹ Instead, they review proposals to ensure they are in line with departmental rules and regulations, i.e. that they include all relevant information and that the types of projects selected are technically appropriate. Where they are not, they will seek further information from the township. The district level does not look to cut back proposals or re-prioritize, but will amalgamate the different township proposals before submission to the state/region level.

The wide variety of practice in TPICs and the passive role of some committees in some townships provide evidence of further opportunities to strengthen the role of TPICs in critically assessing and prioritizing proposals and, in doing so, better shaping the decisions made that affect their communities. In order to do so, a number of measures could be taken. Firstly, the TPIC could, and ought to, meet and discuss proposals before sector departments are required to submit to higher levels. In many townships, this will require holding the meeting earlier, and the state/region and Union Planning Department should therefore ensure instructions are submitted to township level with sufficient time. Additionally, clearer rules, regulations and instructions on the role of the TPIC may help build its mandate as a decision-making body. Any strengthening of its role should be matched by capacity

development of its members to better understand and meet their responsibilities. The constitution and role of “community representatives” could be developed to ensure that diverse and inclusive viewpoints are heard in representing community needs, and holding officials to account. It is also worth noting whether it is feasible to expect effective project appraisal, given the sheer number of proposals generated by township departments. In one township, for example, the TPIC was responsible for reviewing proposals from 21 different departments, which include 118 proposals from the DBE, 30 proposals from the Highways Department, 28 from the ESE, 22 from DRD, 18 from rural roads, 14 from health, and 14 from irrigation.

One significant, related limitation on the impact of the TPIC is the absence of prioritization within budget ceilings. Without a budget ceiling, TPICs have little impetus to reduce proposals to realistic amounts, leaving the real decision-making to those at higher levels. An additional limitation exists in the sectoral nature of funding. This means TPICs and their constituent township officials have little incentive to think beyond sector priorities and consider the township’s priorities as a whole, and determine how money should be allocated between the sectors, rather than simply within them. The introduction of multisector funds at the township level represent one potential approach to support greater strategic consideration of local needs.

These points have now been recognized by the Bago Region Government which has, as of this year (planning for FY 2019/20), provided TPICs with a budget ceiling in which to make decisions over capital investment

“ **HOW TPICS
FUNCTION IN PRACTICE
VARIES GREATLY AMONG
TOWNSHIPS, WITH TPICs IN
SOME TOWNSHIPS PLAYING
A MORE PASSIVE ROLE** ”

proposals in their respective areas. TPICs, including MPs, are able to choose projects to be implemented by one of a number of departments, including highways, rural roads, DAOs, and the ESE. The pool from which TPICs are able to spend amounts to nearly 60 percent of the Bago Region Government's capital expenditure for the coming year, and individual township allocations are made according to a formula.¹⁰² With continued refinements to the formula and capacity building of TPICs, the use of a township allocation may serve as a model for other state/region governments to implement. This development in Bago, which represents

a significant delegation of discretion over spending to the township level, is occurring alongside an ongoing project, the Township Democratic Local Governance Project (TDLGP), supported by UNDP. TDLGP is seeking to build the capacity of local governance actors, particularly the TPICs, empower local actors to make their own decisions, and broaden the range of actors involved in local governance, in townships in Bago Region, as well as Mon and Rakhine States (see case study D).

CASE STUDY D

Township Democratic Local Governance Project¹⁰³

The TDLGP provides a model for township-level planning and budgeting, through the provision of a formula-based development grant, with the aim of piloting and promoting participatory and responsive township-level planning and budgeting. Crucially, the program involves decision-making by a wider range of local actors, as they have discretion on how the grant is spent. The program currently operates in 20 townships (five in Bago, 10 in Mon, and five townships in Rakhine).

Participating townships are provided with a grant based on an allocation of US\$ 1/capita, which means that, on average, townships receive between \$100,000 and \$200,000, announced in advance and incorporated in the state/region budget. Township-level actors decide how this money is spent on infrastructure development in their areas. With few exceptions, the grant can be used for anything that contributes to service delivery under the mandate of the township administration and are "public" goods. The project's approach emphasizes transparency, accountability and inclusiveness, in strengthening the ability of township departments to be more responsive to people's needs. Specific capacity development support is provided in areas such as evidence-based planning, data collection and procurement. Priorities selected by local actors must comply with the government's sector-specific standards, and sector departments must take responsibility for operations and maintenance.

The TDLGP engages in the township's regular planning and budgeting process but promotes wider participation through the involvement of a broad range of actors, most notably: MPs, W/VTAs, 10- and 100-women household leaders (as a means to increase women's participation), local CSOs and the TPIC, including township department heads. Through a series of meetings and consultations, actors work together to identify development priorities in their areas. Throughout the process, W/VTAs and MPs are to consistently engage with their communities, developing their experience and cementing their role in acting as a conduit for local communities. Projects are ranked collectively by the local actors and shortlisted. Before a final decision on projects to be funded, the projects are scrutinized by the respective sector department to ensure that the proposed project is feasible. Participating townships are also required to provide a public presentation of the township's priorities for the whole township, sector by sector, and by funding source.

Typical projects selected under this project are roads connecting several tracts to a main road, bridges, and primary and secondary schools. Most townships select 1 to 5 projects that contribute the most to the vision and township development priorities agreed at the planning meetings.

In supporting the project and the role of CSOs in the TDLGP, Oxfam is assisting in the capacity building of CSOs in Mon State, to ensure constructive engagement in the process.

OPPORTUNITIES FOR COMMUNITY PARTICIPATION IN PROPOSAL ASSESSMENT AND PRIORITIZATION

In the “bottom-up” planning process for the state/region and Union budgets, there are currently limited opportunities for community participation in the assessment and prioritization of proposals. The bulk of the preliminary assessment and prioritization is done

within sectoral departments, with the input of MPs and ministers, before TPIC review. Within the TPIC, MPs are the most outspoken in shaping the prioritization of projects. And so, the key opportunity for ensuring that communities wants and needs are effectively represented within the TPIC lies with MPs. As with in the identification and generation of proposals, there will be a continuing need in the years to come to consider how effectively MPs are able to represent all within their constituencies, to strengthen their capacity to do so, and to ensure they are held to account for the decisions they make.

CASE STUDY E

National Community Driven Development Project¹⁰⁴

The NCDDP, implemented by the DRD and supported by the World Bank, provides grants to village tracts to finance village-level infrastructure, alongside facilitation and capacity building to help communities make choices in an inclusive, informed and transparent manner. The NCDDP seeks to provide poor rural communities with improved access to and use of basic infrastructure and services through a people-centered approach.

The project operates in 63 townships across all states and regions in Myanmar, with poverty level as the primary criterion for selecting participating townships. All village tracts in participating townships are covered. Each participating village tract receives a grant that varies in relation to population, ranging from MMK 20 million for small tracts with fewer than 3,000 people to MMK 120 million for tracts with more than 9,000 participants.

Under NCDDP, community development needs and priorities are captured through a planning process that culminates in a Village Development Plan (VDP). The process is open to all villagers and relies on rapid appraisal and participatory planning approaches. A number of committees made up of community volunteers exist at the village level to support both the planning and implementation of the project. These include an overall Village Project Support Committee (VPSC), procurement, operations and management, and audit committees. Once VDPs are completed for each village, the Village Tract Project Support Committee (VTPSC), which comprises one male and one female representative from each of the VPSC as well as the VTA as an advisor, reviews the plans and determines how the block grant should be allocated to the villages in the village tract, and creates a “Village Tract Development Plan”. The plan is submitted by the VTPSC to the TPIC for endorsement for funding by NCDDP, providing township officials and MPs an opportunity to review and ensure there is no overlap with government spending.

Typically, the NCDDP funds small-scale intra- and inter-village roads, jetties or paths, water systems, new or refurbished schools, village electrification, and other community infrastructure.

The process is facilitated by a team, comprising township DRD officials, and community and technical facilitators, who help to build the capacity of committee members and communities. The DRD seeks to support engagement with beneficiaries through the translation of key project guidelines and materials into a dozen ethnic languages, an annual social audit in all villages undertaking subprojects, and a grievance-handling mechanism that encourages feedback on the project at all levels of implementation. It has a system that has handled 21,000 comments and complaints with a 99 percent resolution rate that on average takes less than two weeks.

The further opportunity for community participation within the TPIC rests with the “community representatives,” who at present are not active in shaping decision-making within the committee in many townships. As above, strengthening their role and ensuring they are representative of the community is an important consideration. However, important exceptions, where a broader range of community representatives are involved in the assessment and prioritization of projects exist in the form of special programs and projects, such as NCDDP (see case study E), ERLIP, and TDLGP (see case study D).

As with the identification and generation of proposals, community involvement in the assessment and prioritization of proposals is particularly important in conflict-affected areas, where there are lower levels of trust of government, and there has been a historical lack of community involvement in the decisions that affect them. This should include EAOs, but also a broader range of community-based stakeholders and organizations. Where decision-making is not inclusive, there is a risk of conflict. In 2018, for example, several clashes occurred between the Tatmadaw and the Karen National Liberation Army (KNLA) in Hpapun township over a road upgrade project that had been explicitly rejected by the KNU, resulting in the displacement of 14 villages and 2,300 people, and the death of a civilian.^{105,106}

One critical issue in assessing the feasibility of a project proposal, and which requires effective

community participation, is in identifying land for siting proposed infrastructure, such as new buildings, roads, and wells. As most departments do not offer compensation for land, projects require the identification and donation of land, either by individuals or by communities. In recent years, department officials across a number of departments have received instructions that they ensure that there is land available, before proposals are submitted to higher levels, making this a critical step in the assessment process.¹⁰⁷ For many department officials, such as DRD officials on projects such as water supply, the availability of land and the willingness of land donations, thus, becomes a critical factor as to whether a proposal can be generated. Department officials across all sectors reported that this can be a significant challenge. Where land is not immediately identified, department officials will engage with local community leaders to try and identify potential land. Across all townships and all sectors, examples were offered by department officials of times when individuals were unwilling to provide land, but by the engagement of a range of actors, including department officials, community leaders, comprising W/VTAs, MPs and even ministers, donations were solicited. Department officials disclosed that, in the majority of cases, individuals will “eventually” agree to donate land. Further research may be useful to understand the extent this engagement results in coercive pressure, and the degree to which donors are genuinely happy to provide land.

“ AS WITH THE IDENTIFICATION AND GENERATION OF PROPOSALS, COMMUNITY INVOLVEMENT IN THE ASSESSMENT AND PRIORITIZATION OF PROPOSALS IS PARTICULARLY IMPORTANT IN CONFLICT-AFFECTED AREAS, WHERE THERE ARE LOWER LEVELS OF TRUST OF GOVERNMENT, AND THERE HAS BEEN A HISTORICAL LACK OF COMMUNITY INVOLVEMENT IN THE DECISIONS THAT AFFECT THEM.

”

CHAPTER 4

HOW ARE PLANNING AND BUDGETING DECISIONS MADE AT STATE AND REGION, AND UNION LEVELS?

In this chapter, the decision-making of state/region and Union governments and hluttaws is described, revealing how decision-makers determine which locally-identified proposals will be funded. The state and region, and Union levels are critical to the planning and budgeting processes, as they are the levels at which the two processes meet and decisions are made. Analysis of this decision-making process reveals a disconnect between the planning and budgeting processes in some areas and sectors, which limits the impact of the “bottom-up” planning process.

Having described how decisions are made within the planning and budgeting processes, the chapter provides analysis of the outcomes of planning and budgeting decisions, i.e. the patterns in spending that can be observed among states/regions, townships, and sectors.

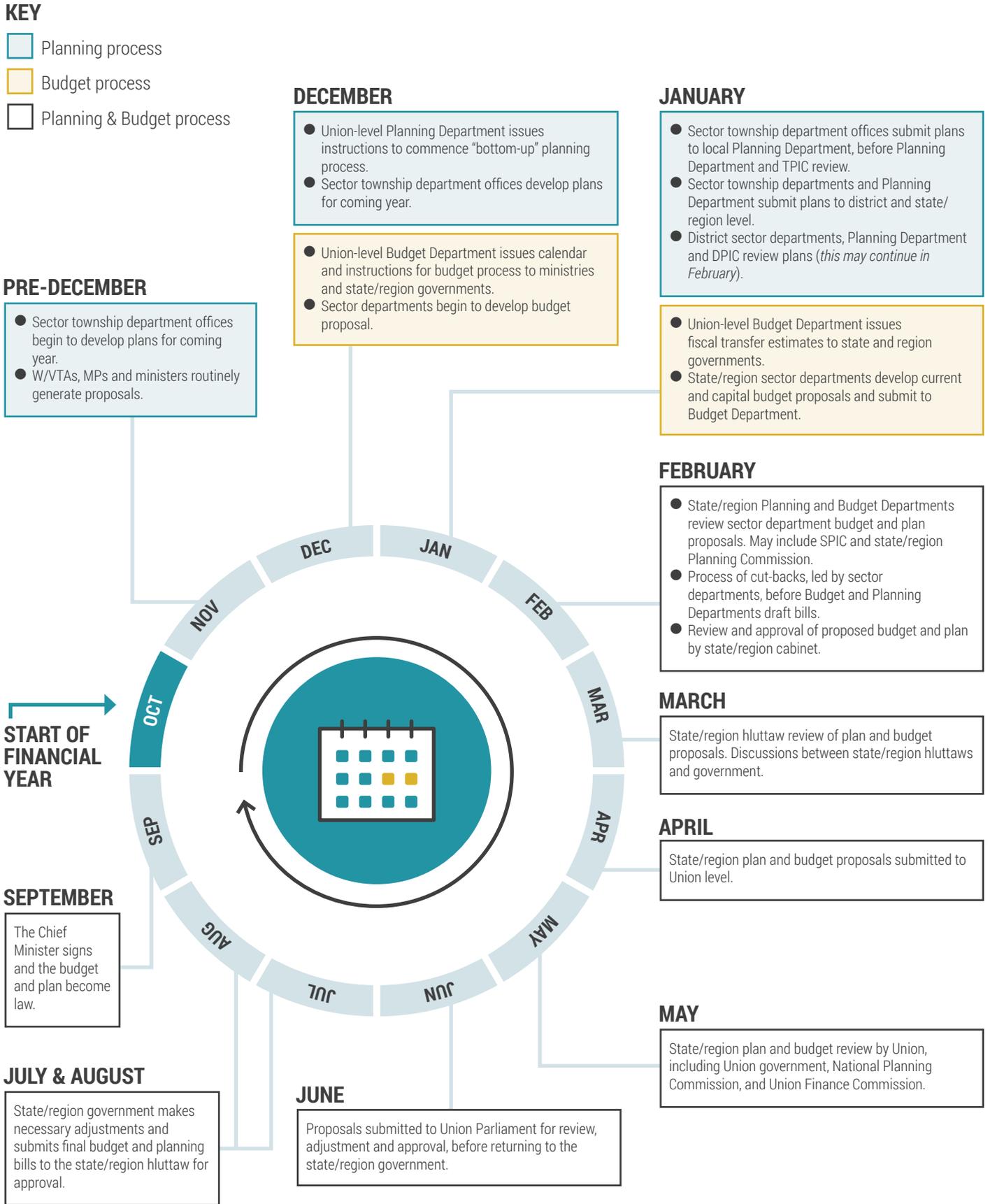
As shown in figure 4.1, the process of developing the budget for the coming financial year begins in December, when the Union-level Budget Department issues the calendar and instructions for the budget process to Union ministries and state/region governments. Throughout December and January, sector departments develop their budget proposals for the state/region government budgets. Upon receipt of the fiscal transfer estimate in January, the state/region governments – with the process led largely by the state/region Minister of Planning and Finance, and the state/region Budget Department – determine how the state/region government budget will be divided between departments, and between current and capital spending. This precedes discussions with individual

departments to cut back proposals to realistic levels. Both state/region governments and hluttaws review and approve proposed budgets and plans in February and March, before their submission and review at the Union level between April and June. Final adjustments are made to the budget in July and August, before becoming law in September, ahead of the start of the new financial year (October).

“ THE STATE AND REGION, AND UNION LEVELS ARE CRITICAL TO THE PLANNING AND BUDGETING PROCESSES, AS THEY ARE THE LEVELS AT WHICH THE TWO PROCESSES MEET AND DECISIONS ARE MADE.

”

FIGURE 4.1 Subnational planning and state/region budget preparation calendar



4.1 HOW ARE PLANNING AND BUDGETING DECISIONS MADE AT THE STATE/REGION LEVEL?

At the state/region level, there are a number of core responsibilities that shape the work of state/region governments, officials, and hluttaws, in developing and drafting the state/region budget, and shaping the Union budget, including:

- Determining how much money each department will receive from the state/region budget.
- Determining how each department will spend its money, including which specific projects to support and how to divide money among townships.
- Reviewing proposals for the Union budget.

Across the three states included in this research, the exact process of drafting the state/region budget varies significantly, with different actors playing a leading role in the development of the draft. In one state, for example, there was a complete disconnect between the planning and the budget process. The state/region chief minister, and their cabinet, across all states do, however, play an important role in reviewing and agreeing the draft before it is sent to the hluttaw. Likewise, hluttaws in all three states exert a great deal of influence, with individual MPs keen to ensure that their proposals are included in the draft, and that their townships receive a “fair” share of the budget.

WHICH DECISIONS ARE STATE/REGION GOVERNMENTS AND STATE/REGION OFFICIALS RESPONSIBLE FOR, AND HOW ARE THEY MADE?

The starting point for drafting the budget bill is the state/region governments’ receipt of a budget ceiling from the Union government. Since 2015/16, the amount that state/region governments receive has been determined, in part, by a formula¹⁰⁸ as part of the Union government’s efforts to move towards a “rule-based” financing model.¹⁰⁹ This has enabled state/region governments to better predict the budget they will receive in the coming year, and to end the previous practice of submitting budgets that far exceed the amount state/regions will receive. The ability of state/region governments to budget effectively has been further strengthened by the Union MOPF informing state/region governments to provide advance notice of how much the fiscal transfers (both grant transfer and tax-sharing) will be for the coming year earlier in the budgeting process. For the upcoming FY 2019/20,

state/region Budget Departments received this information from the Union level in January 2019, three months before the state/regions are responsible for submitting their budget to the Union level. This move to much greater advance notice of transfers allocated, provides highly significant opportunities for better decision-making and budget preparation, allowing authorities the time needed to appraise and prioritize the relative merits of multiple competing budget options.

Having received estimates of the budget available for the coming year, the Budget Department requests that each state/region department submits its proposed budgets for the coming year – both current and capital. The submitted budgets are said to dwarf available funds.¹¹⁰ The proposals for the capital budget in one state, for example, were over five times the budget. The Budget Department begins by reviewing state/region departments’ proposed current budgets. Here, Budget Department officials are chiefly looking at variance from last year’s current budget, with an expectation that no department, without very strong reason, will be permitted to increase their current budget by more than a few percentage points. Where increases in the current budget are identified, the Budget Department will speak to the respective department to understand why the increase has come about, with Budget Departments looking to slim down increases as much as possible. In one state, the current budget proposals are then shared with the Minister of Planning and Finance, and then Chief Minister, for their agreement.

Once the current budgets for departments have been discussed and agreed, the remaining budget is considered to be the amount available for capital investments. State/region officials and governments then need to determine how that money will be divided among states/regions.

In general, determining how the capital budget is divided among departments is a matter of state/region government policy, which is a product of both the state/region cabinet’s own priorities and shaped by Union government policy.¹¹¹ State/region governments are predominantly focussed on building the infrastructure that will drive regional development, such as roads, particularly highways, electricity, urban development, water supply and sanitation, and, to a lesser extent, agriculture and industry.¹¹² While these priorities are quite sweeping, state/region government policy is detailed enough as to be operationalizable. For

example, one Minister of Planning and Finance in a state spoke of a priority area for the state government: the roads sector. The Minister outlined a hierarchy of roads within the state: firstly, the upgrading of the major two arterial highways that link the state with the rest of Myanmar, as well as the state capital with many of the state's major towns; secondly, the upgrading and lengthening of highways to larger towns that are not yet part of the highways network and; thirdly, funding for the development of the core rural roads network, mainly focussed on the largest villages that are closest to towns.

While the division of the capital budget is led by state/region government policy, the policy does not provide state/region governments with exact figures. It does not tell state/region governments the respective allocation between sectors, such as roads and electricity, still less what the ratio of budget in the roads sector should be, for example, between the Department of Highways and the DRRD. In practice, how these amounts are determined varies significantly among states/regions. However, across all states, departmental allocations are shaped by historical spending, with the amount departments received the previous year often an important starting point. States/region Budget Department officials reported that there tends not to be any major overhauls in the amount departments receive from year to year.

In one state, the initial proposal for how much departments would receive was developed by the Budget Department, in consultation with sector departments and the Planning Department, to develop allocations. Potential departmental allocations were said to be shared, discussed, and agreed with members of the SPIC, led by the Planning and Finance Minister. In shaping departmental allocations, the chief minister and hluttaw speaker reportedly met and discussed departmental allocations, based on a discussion on what the two viewed as the key issues the state faced, and what they consider the priorities for the coming year should be. Proposed divisions between departments were also said to be discussed and agreed by cabinet, with the chief minister said to have the final say on how much each department receives.

In another state, the Minister of Planning and Finance was said to play the leading role in developing proposed departmental allocations, with Planning and Budget Departments uninvolved in the process.¹¹³ The Minister then shared the proposals with cabinet for their approval. Finally, in a third state, the Budget Department took the lead on reviewing proposals from sector departments, with the Planning Department said to be busy with other activities. There were also reports of state ministers lobbying the chief minister and Minister of Planning and Finance to boost the amount of funds they receive.

While determining how much each department will be allocated, a process of review and appraisal of proposals generated through the “bottom-up” planning process is carried out. How this is done also varies significantly among states, with differing roles of sector departments, Budget and Planning departments, and state/region minister. It must be stressed that a major challenge here lies in the sheer volume of such proposals – numbering in the thousands – submitted from township departments which need to be appraised, and within a very short time period. An added complication lies in the fact that there are often two flows of incoming proposals – one through the PIC route, and one from the sector departments, with discrepancies between the two to be sorted.

Sectoral department heads play a leading role in the review of project proposals. State/region departments review proposals to ensure they align with policy and technical criteria, that there is no overlap in proposals, and that all the requests of ministers and MPs are captured in plans. Department heads state that they will typically respect the proposals of lower levels, particularly those proposals that come from MPs or ministers, which are largely prioritized by all department heads. To avoid cutting proposals outright, one practice observable in the DOH is to shorten the length of roads scheduled to be built or upgraded under a project proposal, so that more proposals can be supported. State/region department heads may contact township and district officers on occasion to clarify the details of a proposal and, in some cases, to solicit advice on which proposals should be prioritized and which should be cut.

Few department heads referred to thinking in terms of how much each township will receive from the budget. Township allocations are largely shaped by historical allocations, with how much a township received the previous year as an important starting point, and by a practice of “spreading” whereby townships will receive equal amounts, regardless of populations or relative need. Underlying this “spreading” is a concern to avoid major disparities between townships, and therefore MPs’ “shares” of the budget. Some departments in some areas, for example the ESE in two states, split their budget by district, and then request district officers prioritize local proposals within that budget envelope.

In addition to considering the equitable geographical allocation of resources, budget decision-makers should also consider the impact of their budgets on specific groups of community members, particularly those who are marginalized or underrepresented. For example, the effect of budget proposals on women and girls. Gender-responsive budgeting (GRB) is “an approach to budgeting that uses fiscal policy and administration to promote gender equality, and girls’ and women’s

development.”¹¹⁴ Based on an understanding of existing inequalities and the analysis and evaluation of how government projects, policies and services affect these inequalities, GRB requires policymakers to ensure budgets promote and strengthen gender equality. However, no department heads reported considering how their budgets affected specific groups of people.

In all states, a series of meetings between the Budget Department and sector departments will be held in which cut-backs of the sector departments plans are made. The exact dynamics of how cut-backs are made are not wholly clear, with differing interpretations from department officials as to whether it is the sector department or the Budget department that has the final say on whether a proposal is cut.

In leading the departmental review of proposals and negotiations with Planning and Budget departments, the level of involvement from the departments’ respective state minister varies. In some departments, the minister is actively involved in all meetings with other departments and with the Planning and Finance Minister, and carefully reviews all of the proposed projects. For other departments, the minister is more passive, reviewing and signing submissions from the department head, with less interest in the decision-making processes and fewer amendments made of proposals. In one state, ministers have their ministerial portfolio, but are also responsible for a specific township within the state. These ministers not only reviewed proposals under their respective departments, but also examined all proposals for their respective townships. Indeed, one minister expressed greater interest in their township assessment of proposals, rather than their departmental review.¹¹⁵

The role of the Planning Department, and of the S/RPIC, in reviewing proposals for the state capital budget varies among states. In one state, the Planning Department actively considered all project proposals from sector departments, reviewing them against government policy and the MSDP, and prioritizing them within state/region government policy, such as proposing the removal of plans for staff housing and other non-regionals development-focussed infrastructure. In this state, the SPIC, comprising the Minister of Planning and Finance and state department heads, met frequently in the build-up to budget drafting, reviewing and agreeing together the proposals that would be prioritized for the budget.

In another state, the “bottom-up” planning process and, in particular the work of TPICs and DPICs, was running behind the budget process, with DPICs yet to meet despite the fact that the draft budget has already been prepared. In this state, the Planning Department was said to have been too busy to review

departmental planning proposals, and no SPIC had been convened to review proposals. It was hoped that, as departments become more accustomed to the new fiscal year, the Planning Department will be able to better coordinate with the budget process in coming years.

Before submission to the state/region hluttaw, the Budget Department drafts the budget proposal, which is then submitted to the Minister of Planning and Finance before the cabinet for sign-off. The role of the cabinet in reviewing the budget is an important step and one in which parochial considerations can be overcome. As one state minister stated, “the proposals issued by townships are just one point of view. We [the cabinet] have to have a strategic perspective on regional needs.”¹¹⁶ The views of the chief minister on what should be considered priority proposals are of particular significance.

Finally, at the state/region level, state/region governments and their departments are responsible for reviewing proposals for the Union budget before submission to the Union level, with variation among sectors in how this carried out. For some sectors, the departments actively review, assess and amend proposals, whereas for others, the state government plays a more significant role in proposal review. For example, in one state, proposals for the DBE were given a cursory review by the state education director to ensure proposals were in line with departmental rules and regulations, but no significant changes were made. The state cabinet, however, had carried out a detailed review, altering some of the priorities, and adding their own proposals for new school buildings. Across all states, however, proposals for the Department of Public Health were simply signed off by the state government, with no amendments made. Instead, the state health director was responsible for reviewing and reprioritizing proposals as they deemed fit, before submitting to Nay Pyi Taw.

WHICH DECISIONS ARE STATE/REGION HLUTTAWS RESPONSIBLE FOR, AND HOW ARE THEY MADE?

Following the development of the budget by the Budget Department and sign-off from cabinet, the budget is submitted to the hluttaw for review. In recent years, this has become progressively a significant step, with hluttaw representatives across Myanmar increasingly willing to challenge state/region governments’ proposed budgets and decision-making.¹¹⁷ Indeed, in the three states visited as part of this research, both state/region governments and hluttaws recognized that the government has become more responsive to the hluttaws’ comments and

suggestions regarding proposed budgets. The amount of time given to hluttaws to review the budget varies among states/regions, ranging from one week to one month. Where less time is available, hluttaws and their representatives are less able to make substantive reviews.

All state/region hluttaws have a Public Accounts Committee (PAC), or equivalent, that takes the lead in reviewing budgets submitted by the government. PACs manage the engagement between state/region governments and hluttaws, hold hearings with ministers and department heads, and carry out analysis of the budgets. PACs comprise not only MPs but non-elected technical experts and businesspersons, who support the committees in an advisory capacity.

In reviewing the budget, the level of budget analysis carried out by PACs varies. In one state, the PAC carried out field visits to the locations of proposed projects, particularly those of greater value. In another state, a simple comparative review of how much each township received was carried out and shared with MPs, which led to some MPs lobbying for greater funds to ensure a “fair share.” In the absence of clear indicators to

understand how needs may vary across townships, it is difficult for PACs to carry out more meaningful analysis of how money is allocated between townships and/or among sectors. In one state, the PAC included a businessman with an active business interest in some of the projects included in the budget. This conflict of interest was not recognized to be an issue by other PAC members, and there are no rules and regulations for PAC membership.

In most states/regions, all hluttaw MPs will be given an opportunity to review the proposed budget. The focus of the review, for many, is ensuring that their priority proposals are included, and/or reviewing the projects that are proposed for their own townships. MPs report that their priorities are often included in the drafts.¹¹⁸ PACs may pick up on perceived issues, such as a view that too much is being spent on government buildings or investments such as vehicles, and not enough on projects deemed to contribute more directly to regional development.

While these reviews are important steps in holding the government to account, the role of MPs is often parochial, focussed solely on their own areas, or

CASE STUDY F

The Asia Foundation's support to social accountability

Since 2017, The Asia Foundation has been working on strengthening civil society's capacity to provide evidence-based input on decisions around budget allocations and to monitor public spending. Seated within a broader governance program, the Foundation's social accountability program builds on parallel efforts to increase availability of budget data, deepen understanding of budget and planning process in Myanmar, and strengthen core competencies of subnational government across the fiscal cycle.

During the first phase of the program, the Foundation focussed on generating interest and building civil society's capacities to engage with the government on the budget. The Asia Foundation hosted budget literacy and transparency workshops in six focus state/region, inviting civil society representatives from each township. The workshops were designed to encourage government officials and members of parliament to share information about the budget process, the actors involved, and the budget calendar. The Asia Foundation played a facilitative role to build comfort and encourage a practice of transparency and engagement with the public, within the government.

Subsequently, The Asia Foundation has built spaces for civil society to provide direct feedback to the government through citizen's budget feedback workshops, and more recently, feedback workshops on the pre-budget statement. In 2018, The Asia Foundation initiated township development priority workshops with the aim of convening representatives from each township to produce priorities based on local needs, and to share them with MPs and department officials in line with the planning calendar.

The Asia Foundation also provides financial and technical support to local social accountability and civic technological initiatives (such as Ananda Data and Open Hluttaw) aimed at increasing transparency and promoting responsive governance.

with PACs focussed on what are, ultimately, small amounts of money when compared with total budgets. At present, there are few examples whereby MPs or PACs review the policy intentions of the budget, and challenge the government on the strategic direction of the budget, for example, by pressuring the government to spend less on highways, and more on rural roads.

OPPORTUNITIES FOR COMMUNITY PARTICIPATION IN DECISION-MAKING AT THE STATE/REGION LEVEL

In the above-detailed process, there are few opportunities for community participation, with decision-making the responsibility of department officials, government ministers, and hluttaw representatives. While there are community representatives on the S/RPIC, these committees are not active across all states/regions (see above), and are said to play a largely peripheral role where they are active.¹¹⁹ The same holds true at the Union level, with few opportunities for community participation in decision-making with regard to the Union budget.

There are some examples where civil society has been able to mobilize opposition to particular project proposals. In Kayin State, for example, 42 Karen civil society organizations and several other groups opposed a proposed coal plant in Hpa An. Local residents

collected nearly 3,000 signatures objecting to the plan, carried out demonstrations, and ultimately contributed to the shelving of the plan.¹²⁰

In addition to the above, there is a continuing need for facilitating routine engagement between civil society, and state/region and Union governments in the drafting of their respective budgets. This is to ensure greater diversity of perspectives, particularly those of marginalized and underrepresented groups, in decision-making and in relation to larger and/or more sensitive projects, that will have significant impacts on communities. Among others, Oxfam and The Asia Foundation (see case study F) are working to strengthen social accountability in budget decision-making.

In recent years the Union government and most state/region governments have facilitated further engagement in the planning and budgeting processes through increased budget transparency. In 2018/19, in addition to the Union government, 13 state/region governments published their own Citizen's Budgets. For five decades, government budget information was treated as a state secret, unavailable to the general public. The Citizen's Budgets provide an unprecedented opportunity, for the Union and state/region governments and their citizens, to discuss the public budget in an open and transparent manner, and increased budget transparency is being met with greater civil society interest in budgets.

4.2 HOW ARE PLANNING AND BUDGETING DECISIONS MADE AT THE UNION LEVEL?

Following the drafting of the state/region budget bill and obtaining the support of the hluttaw, and the review by state/region governments of proposals for the Union budget, the Union level is responsible for final planning and budgeting decisions, both in the development of the Union government's own budget and in providing final approval of state/region budgets. The Union government, Union-level departments and ministries, and the Union parliament each play a role in decision-making.

A key decision made at the Union level is how the total Union budget will be divided between Union ministries and departments. The process for determining ministry and departmental allocation is led by the Union Minister of Planning and Finance and the MOPF. As at the state/region level, this is first and foremost a matter of government policy and inter-departmental politics.

The process begins when each Union department collects and carries out a preliminary review of the current and capital budget proposals submitted by the state/region level, adding to it Union-level current spending and any additional project proposals. These aggregated budgets are unmoderated, having not yet been cut back to a budget ceiling, and are submitted to the MOPF following a review by the department's respective ministry and minister. For the coming fiscal year (2019/20), these proposals were submitted to the MOPF in late-December/early-January. For some departments, this may be before they have received proposals from the lower levels, so the proposals sent to the MOPF may thus undergo significant revisions when they have been received. These submissions amount to many more times the total available Union budget. The indicative budget for one department, for example, was ten times the amount initially submitted.¹²¹

The MOPF carries out a review of these proposals, before deciding how the Union budget will be allocated among Union ministries. In the build-up to the decision, Union ministers, their ministries and/or departments may directly lobby the Minister of Planning and Finance, President, or State Counsellor, to justify any significant increases. While it is not clear what the exact mechanism to sign-off on allocations is, it is unlikely that significant changes are made to ministry or departmental allocations, without some prior agreement from other senior members of government, such as the State Counsellor. For the coming year (FY 2019/20), for example, there is a proposed significant increase in money spent on electricity projects. Budget ceilings are then provided to ministries, who in turn, determine the allocations among their respective departments, with officials reporting that this is typically closely linked to historical allocations. Departments are then able to make meaningful decisions about their budgets and plans for the coming year. For the coming fiscal year (2019/20), departments were provided with an indicative budget in March. At the same time, the Planning Department is informed by the Budget Department of how much the capital budget will be for the coming year.

Each sector department follows its own process, with their own criteria and policies, that shape decision-making in budgeting, as they cut back proposals to match budget ceilings (detailed below). While many departments seem to have criteria that shape the allocations among states and regions, no departments reported any criteria to help guide allocations among townships within each state/region.

Department of Rural Development: Given the broad range of projects under the department, the first decision for the DRD to make is to determine how it will divide money among projects. For example, how much will the department fund water supply projects in the coming year, compared with how much for VDP (and how many villages the project will be extended to), or compared with the amount to give the evergreen project. DRD officials report that senior leaders consider the balance of spending among states/regions and townships, and will look to spread investments across townships. Officials report that they will also receive requests from senior members of the Union government to extend projects, such as evergreen, to specific geographic locations. The process of cut-backs is said to be “straightforward” within DRD, as state/regions are asked to submit proposals not exceeding more than 10 percent of last year’s budget. Union-level officials will trim budgets by simply reducing the lowest level priority projects identified by the state/levels.

Department of Highways: For the Department of Highways, officials report that roads are prioritized according to traffic levels, goods flows, regional development, and national security, with a focus on building up missing links in the strategic highways network (as per the National Highway Masterplan). For this coming budget year (FY 2019/20), three key “missing links” have been identified one in Eastern Shan State, and two in Kachin State. Additionally, the department must take into consideration proposals submitted by MPs and by ministers. This provides a significant challenge for the department, as close to all MPs in Myanmar are said to have submitted one proposal, if not more, with the department unable to fund most of them. Officials report that the department has to find a balance between MPs’ requests, said to be “the voice of the people,” and the strategic plans of the department. The department may use alternative sources of financing, such as loans and grants, to focus on building the strategic network, while reserving the Union budget for MPs’ proposals. Once projects are screened against departmental criteria, MPs proposals become priorities. For maintenance, under the current budget, priority is based on reports from local department officials on what they consider the major repairs crucial for the coming year. The budget for maintenance is largely dependent on financing from the revenue of departmental revenues, including from toll roads and BOT.

Department of Rural Roads Development: The DRRD prioritizes road-building, or road-upgrade projects on the basis of a number of variables, including the number of beneficiaries, daily traffic, poverty rate, access to hospitals, schools and other infrastructure, and avoiding resettlement of local people. However, the first priority for the department are projects proposed by MPs and ministers. Due to limitations in the Union budget, MPs’ proposals can consume much of the budget and pose a challenge in balancing against departmental criteria. Last year (2017/18), for example, 970 questions were asked in the Union parliament about rural roads, which generated 178 promises by the minister to implement specific projects. Additionally, for this coming budget year (2019/20), the department is investing in pilot projects in some states/regions. These projects comprise new roads that are longer (more than 10km) and built to higher specifications than “normal” rural roads, and are to act as strategic links between the highways network. These roads have been identified in collaboration with the department’s parent ministry, the Ministry of Construction (also responsible for Department of Highways). The department has a formula for determining allocations among states/regions, which takes into account three factors: how much money each state/region requires to develop the core rural roads network under the national strategy, existing rural roads length, and rural population.

Electricity Supply Enterprise: In the ESE for example, there are five steps to the review process. Firstly, there is an initial review to ensure that the proposal is needed, before a technical review to ascertain that proposals link up with the existing grid, and any other planned extensions. At this stage, coordination with the DPTSC is necessary to ensure the technical feasibility of a proposal. Thirdly, the ESE ensures that all proposals of MPs and cabinet ministers made throughout the year are included within plans, before all of the proposals are ranked and prioritized. Lastly, the ESE considers other sources of financing, such as grants and loans, for example, from JICA or ADB, that can be used to fund particular projects. Financing and the ESE's estimated own-source revenues are particularly important within the ESE, as it does not typically receive funding from the Union budget, relying instead on its own funds. ESE officials report that they do not explicitly consider the balance of spending across different states/regions, although investment in Rakhine State is a current priority. Following review by the ESE's chief engineer, and then managing director, the proposal is submitted to the MOEE minister.

Department of Basic Education: The Union-level DBE receives proposals for school buildings (new, refurbished or expanded) and related facilities from states/regions, for which the total cost is often over ten times the available budget. The selection of those to be funded is the outcome of DBE's policy governing geographic and technical priorities. For geographic priority, DBE now reportedly applies a formula whereby the state/region share of the allocable budget equates to its share of the simple sum of the numbers of enrolled pupils, added to the numbers of schools in relation to the total numbers of enrolled pupils and of schools nationwide. Thus for Kachin State, the sum of its 345,865 pupils and 1,552 schools ('347,417') is equivalent to 3.8 percent of the sum of the national number of 9,144,469 students and 47,004 schools ('9,191,473') – hence it should receive 3.8 percent of the capital budget. Budget data suggest that this formula is followed, though quite loosely. For example, relative to the formula-based allocation for 2018/19, the actual Chin State allocation was tripled, that for Rakhine State doubled, and the Kachin State allocation increased by 14 percent – with corresponding cuts to other state/region allocations to stay within the total ceiling. Within these state/region budget shares, DBE selects schools from the lists submitted, based on the state/region's technical justification for each proposal, according to the three criteria noted earlier, and to the priority accorded each by the state/region; these priorities will also reflect the extent to which proposals have the backing of MPs, chief ministers or other "VIPs."

How DBE applies these considerations to cut back

proposals to state/region budget ceilings is unclear. States/regions report that they are not consulted during this phase, and simply receive the list of approvals later on (which is said to usually, but not always, match state/region DBE's own view of relative priorities).

In this process Union DBE must also factor in two other sets of investment demands. Firstly, it seems that MPs and other VIPs sometimes make additional proposals to Union level, beyond those 'sponsored' through the normal submissions by state/region DBE. Secondly, Union DBE adds its own investment proposals to reflect current Union government education policy priorities (typically, for science laboratories, libraries, and IT equipment). Both these 'extra' investments are recorded in Union DBE's capital investment allocation table, alongside those derived from state/region proposals. Thus, of the approved 2018/19 Union DBE capital budget of MMK 275 billion, some 45 percent is allocated to address school-building danger problems, another 45 percent to allow school expansion, 7 percent to meet MP requests (presumably made after the original state/region submissions), and some 3 percent to meet various Union priorities.

Throughout this process, the Union-level departments and ministries will have meetings with the MOPF's Budget and Planning Departments, where proposals and budgets are discussed. The Planning Department review proposed activities, with a priority to ensuring that capital investments are on proposals that will contribute directly to regional development, rather than projects such as staff housing. The department also ascertains compliance, such as in relation to land availability. The Planning Department also looks at historical spending by departments. Where departments have historically underspent, their budgets may be cut. There also a number of committees at the Union level, such as the construction committee (convened by the Ministry of Construction), which reviews capital investment proposals from a number of departments, including DBE, or for example, a machinery committee that reviews machinery, equipment and vehicle purchasing proposals, and other capital expenditure, which goes to the Planning Department. Finally, there is also a Budget Committee, convened by MOPF, which reviews current budget proposals.

After approval from the above committees, internal department and ministry review and sign off, budget proposals are submitted to the Minister (and/or deputy minister) of Planning and Finance, before submission to the Union-level commissions: NPC and the Union Finance Commission (UFC). The UFC is responsible for reviewing and signing of the budget before submission to parliament, and the NPC is responsible for reviewing the Union planning law before submission to parliament.

As detailed in chapter 2 a new process is emerging for capital investment projects of MMK 2 billion or more, under the Project Bank. The NECC is the lead screening agency for Project Bank proposals.

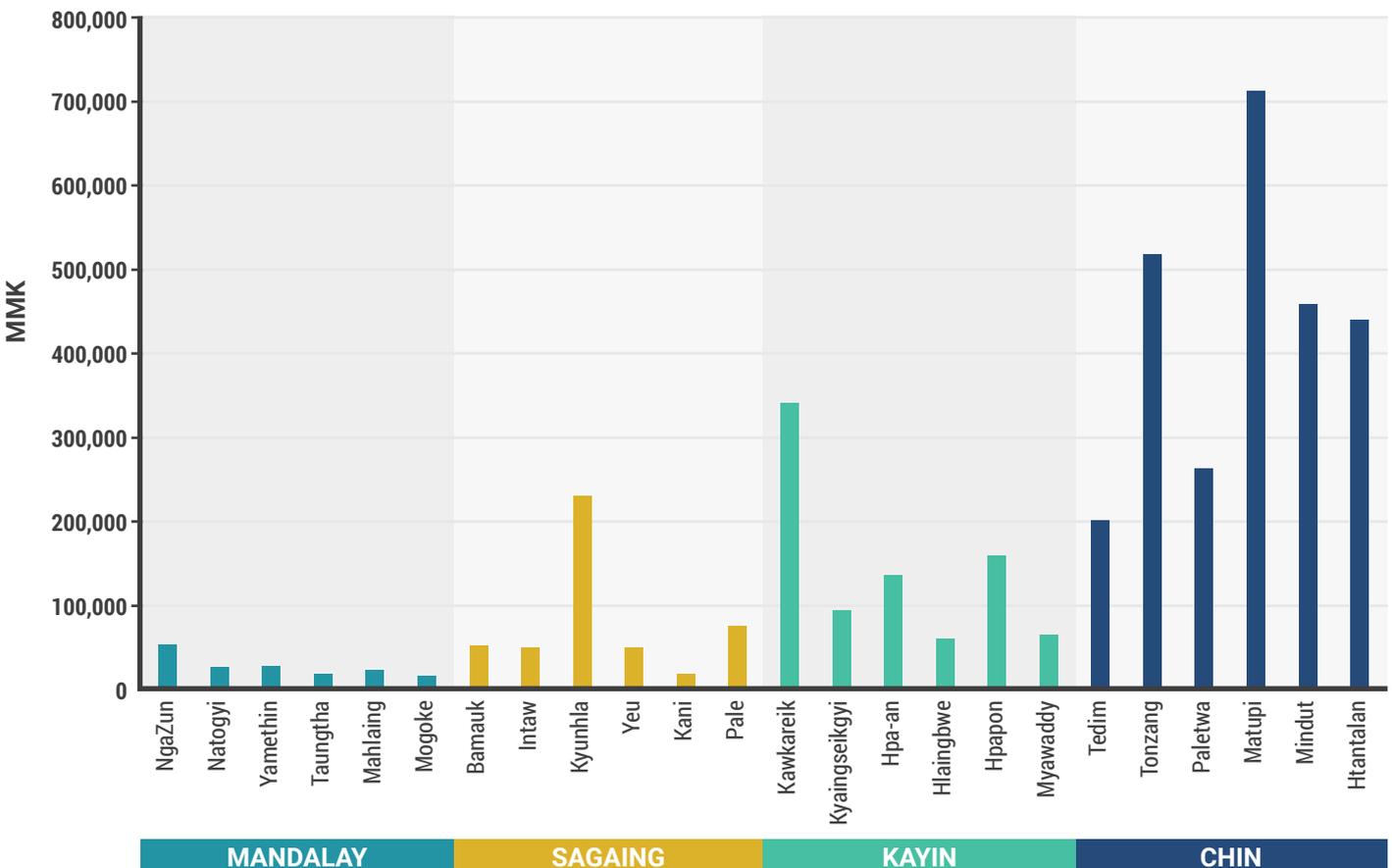
As all but one of the departments that receive money under the state/region budget are part of larger Union departments under Union ministries, the Union level also has an opportunity to review, analyze and amend proposals under the state/region budget. How proposals for spending under the state/region budgets are reviewed vary among departments. For example, the DOH and the DRRD check proposal to ensure they meet departmental guidelines and policies, and cross-check with their own plans to verify there is no overlap, but they reportedly do not make significant changes.¹²² The ESE, however, do not sign off or review proposals for village electrification under the state/

region budgets, with complete discretion said to rest with state/region engineers.¹²³

Following review by the UFC and NPC, the Union budget and planning bills are introduced to the Union parliament for their review and approval. The Joint Public Accounts Committee (JPAC) is responsible for leading the process of managing the Pyidaungsu parliament’s engagement with the Union government. After passage of the Union budget bill, which includes the final amount of grant transfer to the state/region governments for the coming financial year, a final state/region budget bill is prepared by the state/region Budget Department, and introduced to the state/region parliaments. At this stage, state/region MPs report that there is very little scope to make any amendments to the state/region budgets before the bill’s final passage, but that very few changes are made at the Union level.¹²⁴

4.3 WHAT ARE THE OUTCOMES OF PLANNING AND BUDGETING DECISIONS?

FIGURE 4.2 Capital expenditure per township
(per capita, all government departments, FY 2018/19)



Having detailed the process through which decisions are made about which projects receive funding, in this section, township-level spending patterns under the state/region and Union government budgets are examined, assessing the outcomes of the planning and budgeting processes in terms of effectiveness, efficiency, and equity.

While it is the case, underscored above, that there are no township budgets per se, the township level is normally the lowest geographic unit that government accounts can be disaggregated to. As such, it is possible to obtain and analyze so-called “township plans,” which contain capital budget allocation values for the current fiscal (FY 2018/19) year for all government departments’ spending, under both Union and state/region government budgets. Analysis of 24 “township plans” – for 6 townships in each of Mandalay and Sagaing regions, and Kayin and Chin States – provides some important insights into patterns of local development spending.

Firstly, despite the fact that the state/region government budgets account for only 11.8 percent

of total government spending,¹²⁵ state/region government expenditure accounts for 56 percent of total government expenditure on capital investments in our sample of 24 townships, and as much as 88 percent of capital expenditure in Hpapun township.¹²⁶ This provides evidence of state/region governments having more significant impact in determining local development projects in their townships than is usually understood.

Figure 4.2 reveals considerable variance in per capita township capital expenditure, both between townships and among states/regions. The average per capita spending is lowest in Mandalay region, with average per capita spending over ten times more in Chin State. Matupi township, Chin state, received over 40 times more capital spending investments in 2018/19 than Mogoke township, Mandalay region. Within states/regions, there is also considerable variation. For example, within Sagaing region, Kyunhla township received almost ten times as much capital spending investments than Kani township. The overall differences between states/regions is predominantly a consequence of differences in the grant transfer from

FIGURE 4.3 Variance in spending across townships
(per capita, selected departments, FY 2018/19)

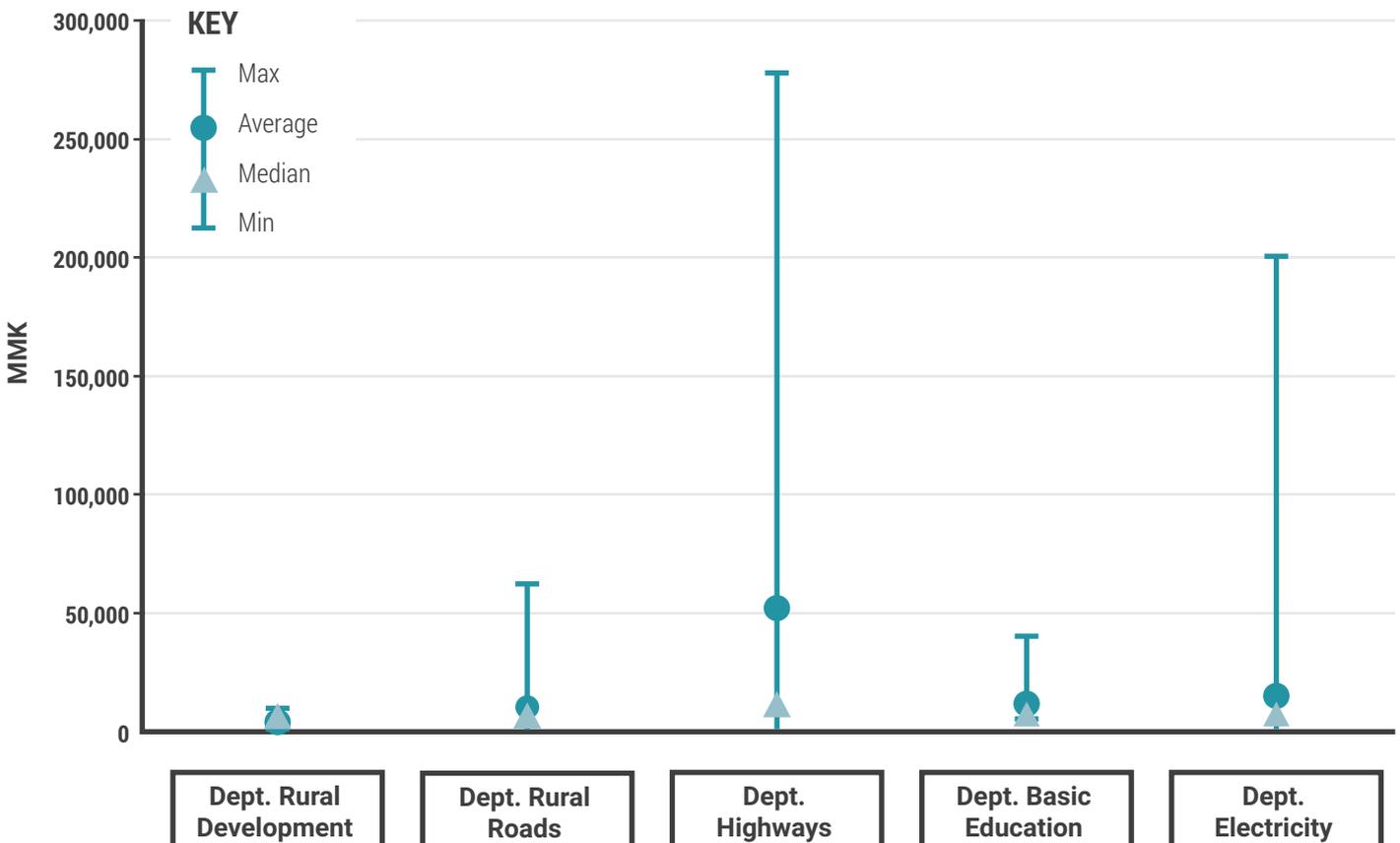
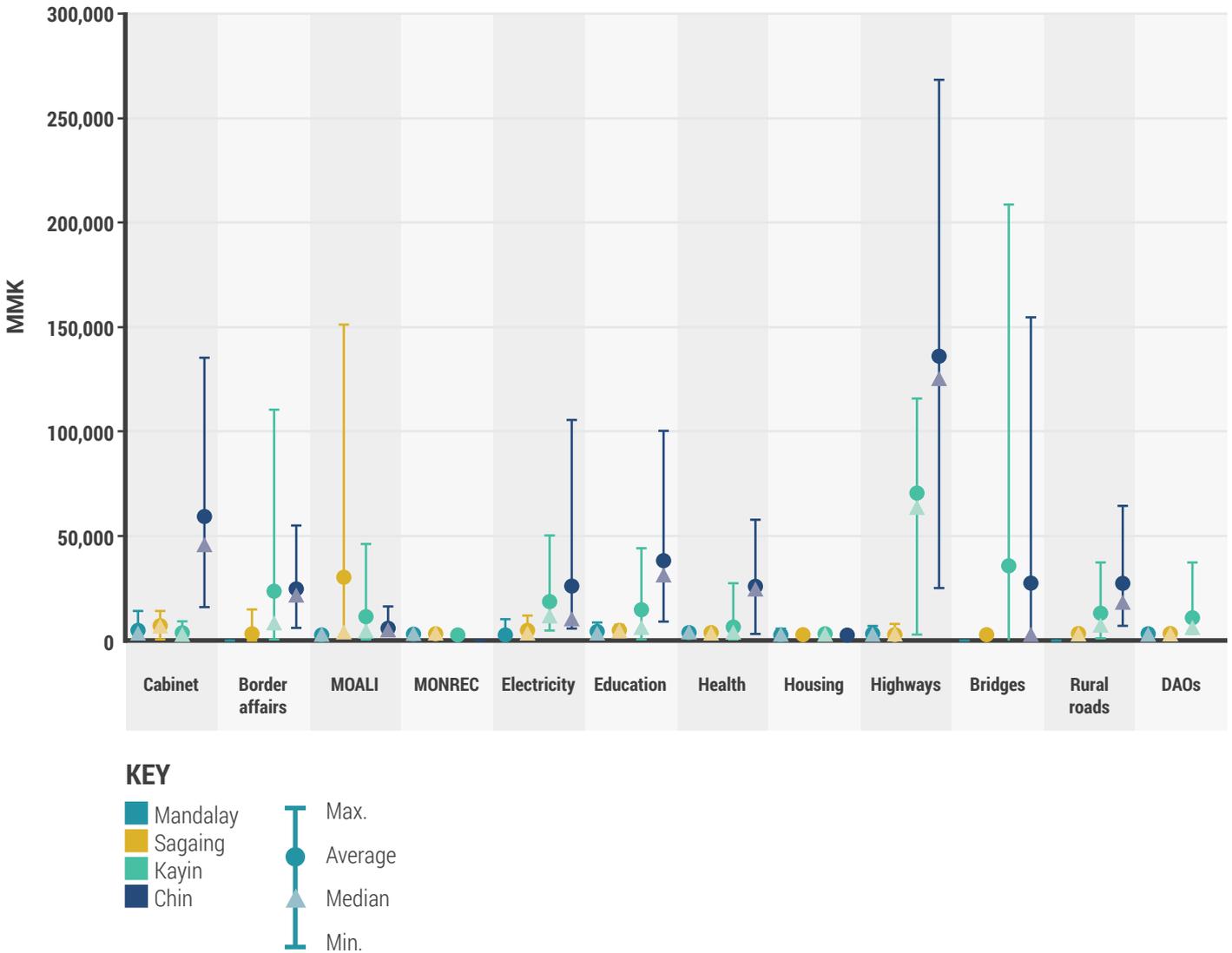


FIGURE 4.4 Variance in spending across townships
(per capita, selected departments, FY 2018/19)

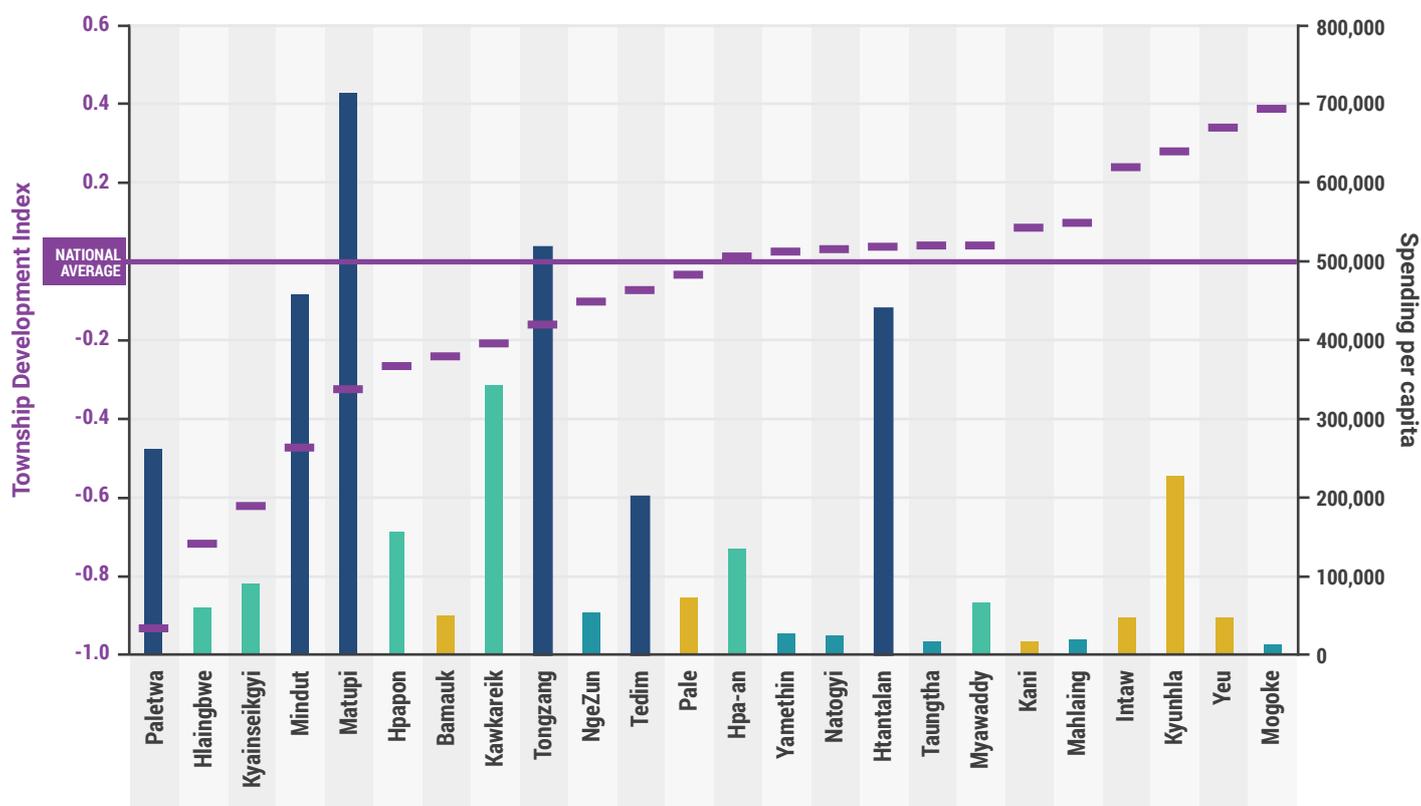


the Union government to the state/region government, through which Chin State, for example, receives a disproportionately high share of revenues. The differences between townships are the consequence of the decisions made by state/region and Union governments on what projects they fund.

Inequalities in capital spending are also present within sectors, when looking at per capita¹²⁷ sectoral spending patterns. As shown in figure 4.3 and demonstrated in greater detail in figure 4.4, there is significant variance in mean and median departmental spending for many departments and ministries, with significant variation in per capita spending between the six townships within each of the four states/regions. Kayin State especially, and Chin State, exhibit high variance around the mean/median across townships in per capita

investment spending in sectors where such variance is not expected, with max:min ratios for MOALI of 52:1 and 7:1, for Education of 46:1 and 11:1, for Health of 61:1 and 24:1, and for DAOs of 14:1 and 9:1 in Kayin and Chin States respectively (and noting that DAO spending variance is also almost as wide in Mandalay and Sagaing regions). As figure 4.3 shows, for the departments that are the focus of this research, the most significant variance is visible in the DOH and ESE. This is not unexpected, as investments by these departments are bulkier, and may require sequencing across townships from year to year. For example, in developing the electricity grid network, the department may need to focus investments on one township in one area for some years, before the grid extends far enough that it can move on to other townships. For the DRRD and DBE, variances in per capita spending would

FIGURE 4.5 Capital expenditure per township and development index
(per capita, all government departments, FY 18/19)



KEY

Spending per capita:

- Mandalay
- Sagaing
- Kayin
- Chin

Township Development Index:

- TDI value

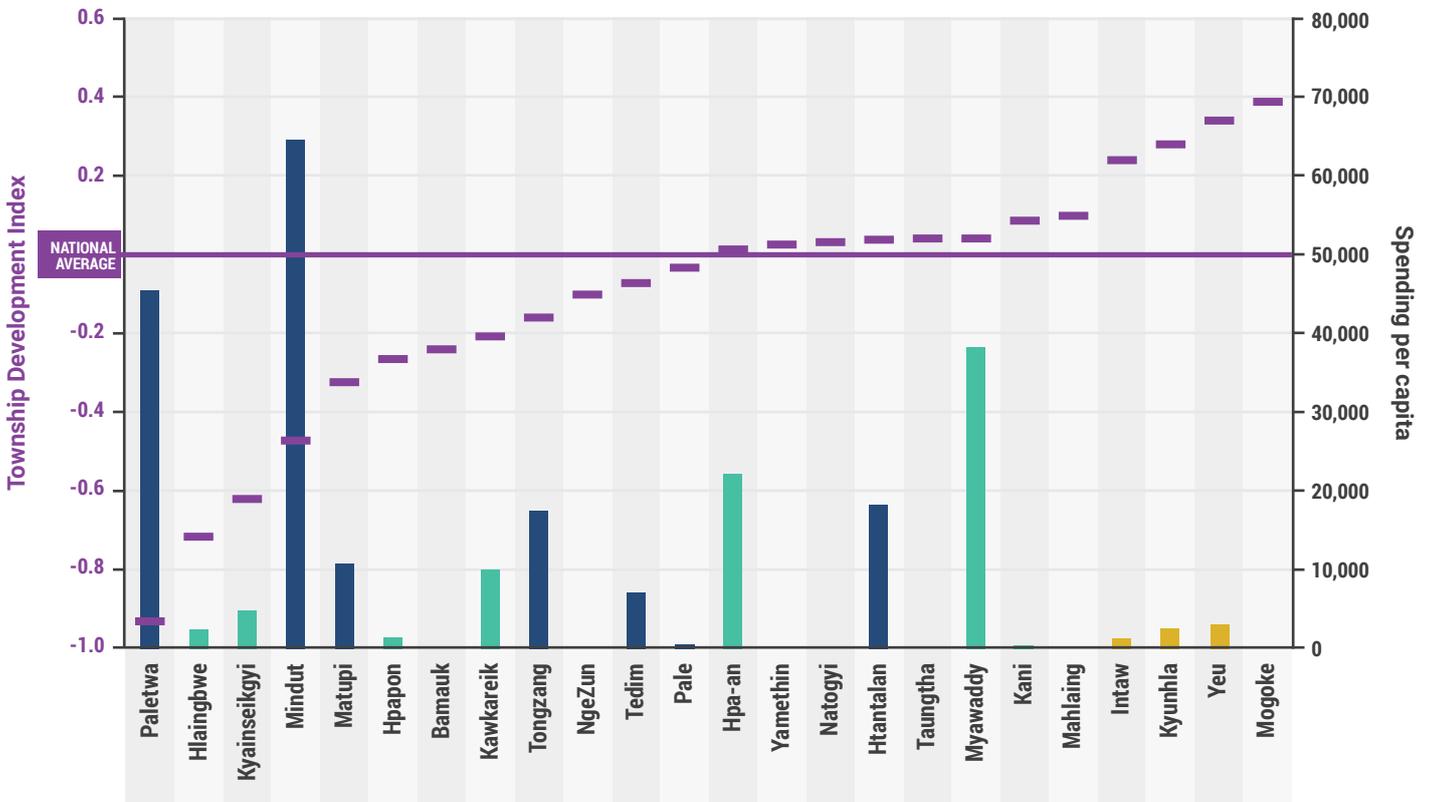
ideally be explained by the varying needs of townships, i.e. townships that have a greater need for rural roads, receive larger funding for rural roads (considered in greater detail below).

To date, very little research in Myanmar has considered the relationship between government expenditure and local needs, and thus to consider to what extent is government expenditure targeted where it is needed most. Here, we consider the relationship between township development indicators,¹²⁸ as a proxy for need, and expenditure.¹²⁹

Figure 4.5 shows the relationship between The Asia Foundation's Township Development Index (TDI)¹³⁰ and all government per capita capital expenditure at the township level. At the state/region level, there is some

relationship between expenditure and development, in that Chin State, which has the lowest levels of development amongst the four state/regions in the sample (according to the TDI), has the highest levels of expenditure. However, at the township level, there is no clear correlation, and it is not clear that government expenditure is being spent in areas that need it most. In Mandalay, the highest spending is in the township with lowest living standard, but in other states/regions it is in townships with relatively high living standards. The township with the lowest TDI score in our sample, Paletwa in Chin State, receives the second least amount of money. This may be a consequence of ongoing conflict in the township, but should prompt further consideration. Likewise, in Kayin State, Hlaingbwe has the lowest level of development and the lowest level of expenditure.

FIGURE 4.6 Department of Rural Roads Development capital expenditure per township and development index (per rural capita, FY 2018/19)



KEY

- Spending per capita:**
 - Mandalay
 - Sagaing
 - Kayin
 - Chin
- Township Development Index:**
 - TDI value

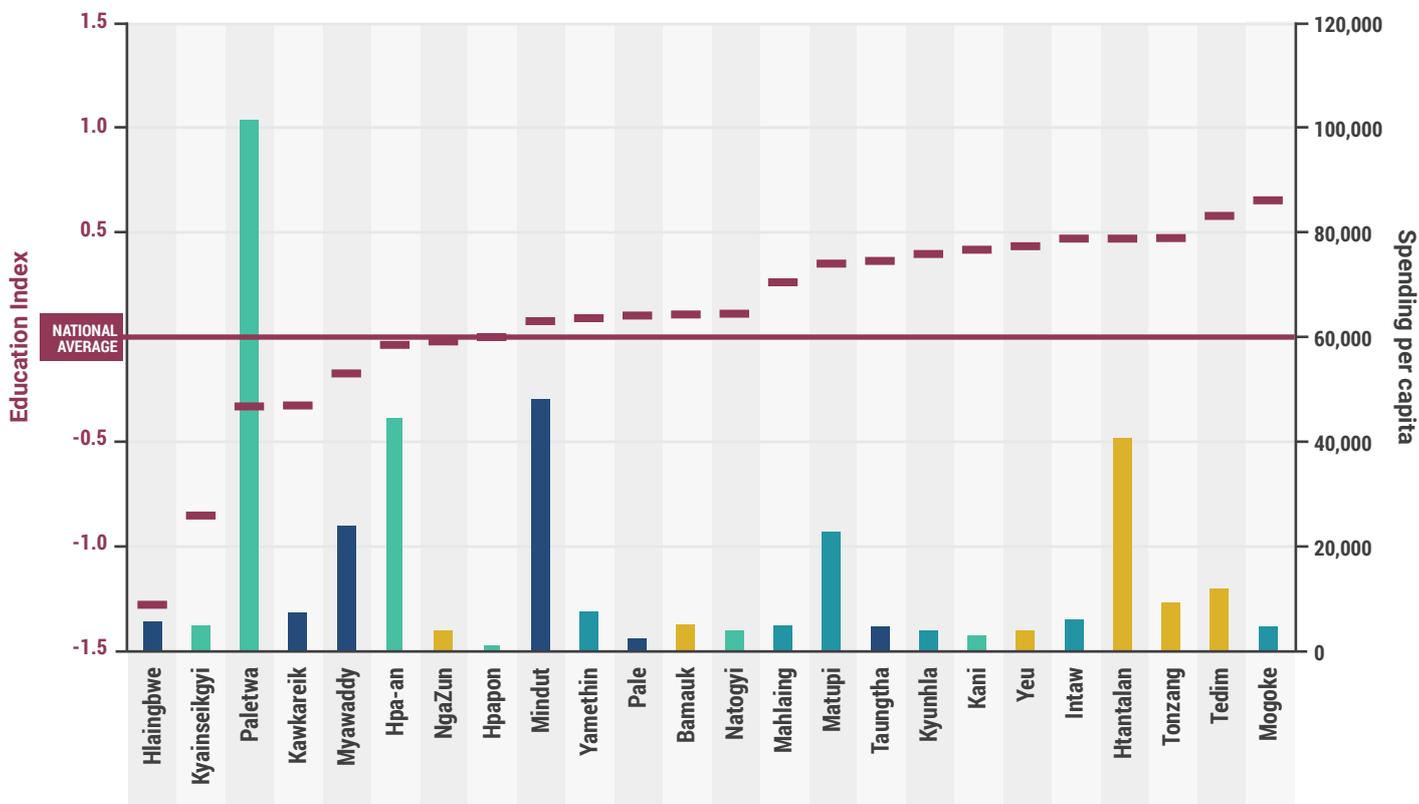
Levels of development and their relationship with expenditure can also be considered on a sectoral basis. Figure 4.6 shows per capita capital expenditure for DRRD plotted against the development index. There is no recorded spending in Mandalay, and little in Sagaing, so it is hard to reach any conclusions. It may be the case that spending by the DRRD is being accounted for under a different budget heading, which provides evidence for continued efforts to promote transparency in how government spends its money. In Kayin and Chin States, as with total government spending, there is no clear relationship between need and expenditure.

Finally, figure 4.7 shows per capita capital expenditure by the DBE plotted alongside the education index.¹³¹ Here, again, there is no clear ‘higher spending: lower index value’ correlation, either within or among the four states/regions. Mandalay provides evidence of “spreading,” whereby townships receive similar amounts

of money, despite differences in apparent need. In Kayin State, Hlaingbwe has the worst index value and enjoys greatest spending level. However, in Chin State, Paletwa has the worst index value and also the lowest spending level.

This analysis does not provide comprehensive proof that government expenditure is not being targeted where it is needed most. But this sample of townships does provide some evidence, and should serve as a prompt, for the Union and state/region governments to carefully think about which data could, and would, be useful for identifying needs more systematically, so as to target spending accordingly. At present, neither Union nor state/region governments seem to use any township indicators to guide their respective budget allocations. Further research is needed to look at this issue in greater detail.

FIGURE 4.7 Department of Basic Education capital expenditure per township and education index (per capita, FY 18/19)



KEY

Spending per capita:

- Mandalay
- Sagaing
- Kayin
- Chin

Education Index:

- Education index

CHAPTER 5

CONCLUSION

As one of the primary tools through which governments can effect change, budget decisions made by governments to determine how they spend their money are of critical importance. In Myanmar, these decisions are especially important following decades of slow socioeconomic development, poor public service provision, and continuing conflict.

In recent years, state/region and Union governments have pursued a number of important reforms to planning and budgeting. These include increasing responsiveness to locally-identified proposals under the “bottom-up” planning process, reforms to public financial management under the Medium Term Fiscal Framework, and the emergence of an increasing number of projects and programs,

specifically designed to strengthen participation and responsiveness in planning and budgeting processes. These reforms demonstrate a capacity and willingness within Myanmar, as well as a recognition of a need, to strengthen planning and budgeting, and provide a firmer foundation from which further improvements can be made.

In this chapter, the key findings of the preceding chapters are summarized, helping to identify the key features of planning and budgeting in Myanmar, and many of the strengths and opportunities under current arrangements. The second section of this chapter provides recommendations to government, parliament, civil society, and to donors on how each of these actors may contribute to the strengthening of the planning and budgeting processes.

5.1 KEY FINDINGS

THE FRAMEWORK FOR PLANNING AND BUDGETING

The 2008 Constitution provides for two budget types (the Union budget and state/region budgets) and shapes the division of responsibilities between the two. The creation of 14 state/region budgets for the newly-created state/region governments was a significant step towards fiscal decentralization in Myanmar. Importantly, other levels within Myanmar’s governance system, i.e. districts, townships, wards, and village tracts, do not have their own budgets, and are therefore dependent on Union and state/region government funding. Schedule 2 of the Constitution details the roles and responsibilities of the state/region governments, and Schedule 1 provides the corollary list for the Union government, establishing a loose division of expenditure responsibilities.

The 2008 Constitution, the Region or State Government Law,¹³² and the Regulations on Financial Management

of Myanmar¹³³ set the framework for the passage of the Union and state/region government budgets. The Union government is responsible for drafting the annual Union Budget Bill before its submission to the Pyidaungsu Hluttaw. State/region governments are responsible for drafting and submitting the annual Region or State Budget Bill to the respective state/region Hluttaw. State/region budgets are also to be vetted by the Union Finance Commission. In 2017, the beginning of the fiscal year was changed from April to October.

Planning committees and commissions exist at different administrative levels across Myanmar to support the planning process for capital investments. Union and state/region governments are also responsible for producing annual planning laws, which detail the capital investments for the coming budget year. A number of planning commission and committees support the planning process. At the township level, Township Plan Formulation and Implementation Committees (TPICs) are responsible for endorsing locally-identified priorities and scrutinizing

project proposals from sectoral township departments, before review at district level by the District Plan Formulation and Implementation Committees and the state/region by the State/Region Plan Formulation and Implementation Committees. At the Union level, the National Planning Commission has ultimate authority for reviewing and scrutinizing planning proposals.

Both Union Solidarity and Development Party (USDP) and National League for Democracy (NLD) governments have recognized the need to strengthen planning and budgeting processes to ensure they are responsive to local needs and effectively contributing to socioeconomic development. With the USDP, several reforms of local governance under the government's aim of "people-centered" development contributed to planning and budgeting reform, including the proliferation of local committees, reform to the role of ward / village tract administrator (W/VTA), and local development funds. Under the NLD, continued efforts have been made at implementing a "bottom-up" planning process, with the aim of ensuring government budgets are more responsive to local needs. The NLD government has also produced the Myanmar Sustainable Development Plan, the most detailed articulation of its policy to date, which includes a number strategic priorities and action plans that shape planning and budgeting. The government is now in the process of implementing the *Project Bank*, through which a new process for identification, screening, appraisal, and prioritization for large-scale investment projects has been established. Beyond the Union government, sector line departments and ministries have their own policies, that shape planning and budgeting through their identification of key departmental objectives and priorities.

IDENTIFYING AND GENERATING PROPOSALS

Under the "bottom-up" planning process, an increasing number of proposals that receive funding from the state/region and Union budgets are identified at the township level. Township department officials across all sectors and townships report that, in recent years, an increasing proportion of the investments funded in their areas were identified within their townships. This fact is an important development, providing significant opportunities for the emergence of decision-making that is more responsive to local needs and more participatory, and involving a broader range of diverse actors.

As a general rule, township department officials have less discretion and flexibility in developing proposals for their current budgets, compared with capital budgets. The "bottom-up" planning process is largely concerned with investments made under the capital

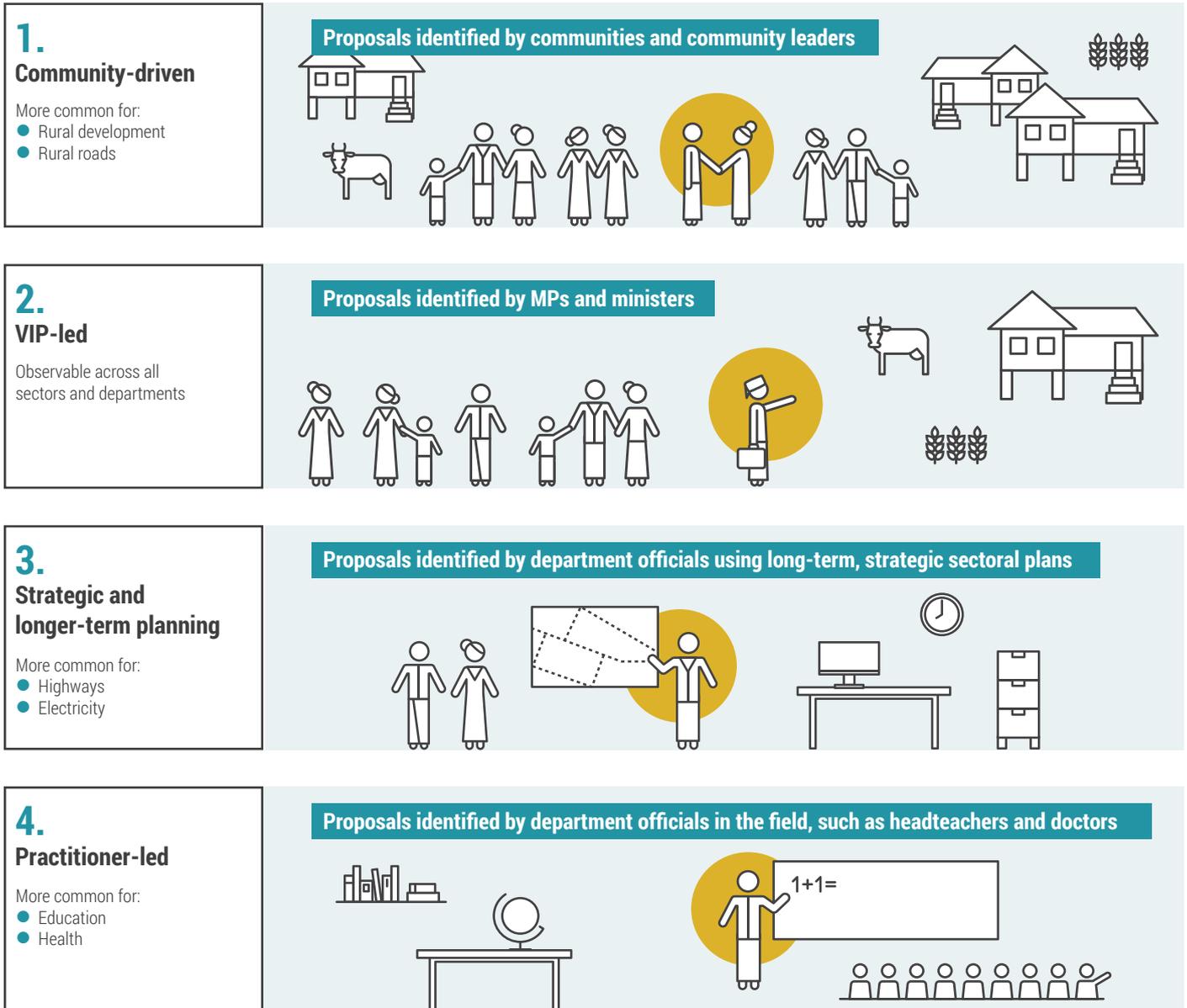
budget, i.e. investments in local infrastructure such as roads, bridges, new schools, new health facilities, and electricity grids, for example. In contrast, many elements of the current budget, including staffing and wages, and operational costs, are determined largely by the existing staff establishment, and the array of facilities, equipment and infrastructure, by ministerial policy, rules and regulations, and by historical spending.

There are significant variations among sectoral departments in how proposals for investment are identified (see figure 5.1). For some departments, such as Rural Development, and Rural Roads Development, proposals are often identified through township department officials' knowledge of individual communities, combined with an application of departmental policy and priorities. With these departments, there are more established links with the community (given the scale of infrastructure being built) through which community members may be able to submit their own proposals. For example, it is not unusual for the Department of Rural Development to receive proposals for farm-access roads directly from the affected farmers. For other departments, such as Highways, and Electricity Supply Enterprise, proposals are more likely to originate from longer-term planning, whereby the electricity grid or highways network is being built, or upgraded, year by year. And in other departments, such as education and health, proposal identification may be delegated by township officials to local department practitioners. For example, in education, proposals for new school buildings and for school upgrades typically originate with headteachers, and may be identified in conjunction with local Parent Teacher Associations.

Across all sectors and townships, department officials report that MPs and ministers have become more active in identifying proposals for investment, and are a source of a significant proportion of proposals. MPs from state/region, Pyithu and Amyotha hluttaws are all active in identifying proposals in their area for investment. MPs may liaise directly with government departments, identify proposals in conjunction with department officials during visits to communities, or raise issues in parliament, through which the government may respond by pledging to implement a project. Ministers are said to carry out field visits throughout the year, and will often propose projects to department officials during those visits.

Ward and Village Tract Administrators are also a significant source of proposals in many townships and across many sectors. In many townships, W/VTAs are responsible for generating proposals to respond to priority local needs. W/VTAs employ a range of ways to identify wants and needs, but will typically consult with other community leaders, such as village leaders, 100- and 10-household heads, respected elders, and religious

FIGURE 5.1 Four common models for proposal identification



leaders. Importantly, some W/VTAs are said to be less knowledgeable about, and less active in, generating proposals. These W/VTAs tend to live in more remote and/or poorer areas, and where W/VTAs are not wholly fluent in the Myanmar language.

Opportunities for community participation in the “bottom-up” planning process are largely limited, with department officials reliant on MPs and W/VTAs to act as conduits between communities and government. As such, the extent to which proposals identified can and should be considered representative of the needs and wants of local communities, and the extent to which proposal identification is participatory, is reliant on how MPs and W/VTAs generate proposals. In the absence

of clear guidance and training on how to identify proposals in a way that is responsive and participatory, practice varies, with areas for improvement apparent, and with department officials reporting examples of bias towards MPs and W/VTAs own communities, at the expense of others.

There are a number of special projects and programs through which proposal identification follows novel processes that expand proposal identification to a broader range of actors. Under the Department for Rural Development, the NCDDP, ERLIP and VDP projects all use village-level participatory planning processes to strengthen the role and capacity of villagers to identify and prioritize their own needs. The TDLGP, supported

by UNDP, brings stakeholders together at the township level, including township officials, W/VTAs, MPs, female 100- and 10-household heads, and civil society organizations (CSOs) in the identification of community needs. These case studies, provide alternative models that may strengthen existing government processes.

ASSESSING AND PRIORITIZING PROPOSALS

No decisions are made at the township levels about which proposals will receive funding from state/region and Union budgets.

In the absence of budgets below the state/region and Union, the role of actors at the township level is limited to the identification, assessment, and prioritization of proposals. Department officials and TPICs are responsible for reviewing and prioritizing proposals for funding before they are submitted to higher levels. Project proposals are provided a level of prioritization: either first, second, or third priority. With little confidence that lower priority proposals will receive funding, department officials often class the majority of their proposals as first priority, limiting the utility of the prioritization process.

Among sectors, each township department has its own criteria and approaches to prioritizing proposals.

Common criteria for prioritization include the number of beneficiaries or villages that will benefit from proposed infrastructure, and emergency priority projects in response to natural disasters. The availability of land to site infrastructure is an important criterion in assessing feasibility. Beyond this, in the roads sector, both the Department of Highways and Department of Rural Roads Development are predominantly focussed on building and upgrading core networks. In education, new school buildings require that existing buildings be assessed as either dangerous, insufficient for the number of students, or have an “image” problem. In prioritizing villages for electrification, the Electricity Supply Enterprise focusses on villages closest to the grid. In no sector is the relative cost of proposals considered when prioritizing proposals.

Across all sectors and townships, department officials report that MPs and ministers’ proposals receive the highest prioritization, with little cut back of proposals to within potential budget ceilings.

Department officials report that there is now an implicit assumption, if not explicit instruction, to prioritize MPs and ministers’ proposals. It is hard to say categorically whether this is limiting effective decision-making in the planning process, but department officials do present anecdotal evidence of biased decision-making, that may not be in the interest of local communities. Other department officials state that the involvement of MPs has improved the ability of departments to identify local needs. Most department officials across sectors and

townships will submit a complete list of close to all of the proposals they receive, and rarely reduce the list to a more realistic number of proposals that could be funded. This is, in part, a consequence of department officials creating plans in the absence of budget ceilings, i.e. officials do not have an estimate of how much they may receive in the coming budget year. In the absence of such ceilings, there is little incentive to prioritize. Many township officials report that the more proposals they submit, the more that will receive funding, as it is important to ensure that senior officials understand all department and community needs.

Township Plan Formulation and Implementation Committees (TPICs), responsible for reviewing departmental proposals before they are submitted to higher levels, are operating in a wide variety of ways among townships.

In some townships, TPICs are passive in their reviews of proposals as department officials may present some of their proposals to members as a way of sharing information, with little discussion and/or debate. In others, TPICs involve more substantive discussion, particularly over prioritization. A significant source of debate is between different MPs, who wish to ensure that their own proposals are prioritized above that of others’. However, for reasons of both time, resources and incentives, many TPICs do not engage in the sort of in-depth checking and appraisal of competing project proposals that local planning committees commonly undertake in other countries.

The impact of Township Plan Formulation and Implementation Committees is limited by a number of factors that prevent the committees from fully shaping the decision-making made at higher levels.

TPICs do not receive clear instructions on what their role is, and so committees in some townships provide only a passive review of proposals. In some townships and, in particular, in certain states/regions, TPICs meet to discuss proposals only after certain sector departments are required to submit their proposals to higher levels, and so the TPIC is unable to make meaningful changes. The absence of a budget ceiling for departments or townships means that the committee has little incentive to cut back proposals to more realistic levels, leaving the decision-making to higher levels. The high volume of proposals and the short time in which some TPICs have to appraise proposals act as a further barrier. Most fundamentally, the absence of a township budget or discretionary funding at the township level, precludes more strategic considerations about the overall needs of the township across sectors. Instead, current funding arrangements promote “siloe” consideration on a sector by sector basis, rather than strategic, multisector considerations.

As a general rule, department offices at the district level and the District Plan Formulation and Implementation Committees do not make significant amendments to

plans made at the township level. District department officials and members of the DPIC state that their role is to ensure proposals submitted meet the technical criteria set down in financial rules and regulations and departmental policy, but that they do not make significant changes such as the addition of new proposals, the removal of proposals they do not support, or any reprioritization.

There are few opportunities for community involvement in the assessment and prioritization of projects. The bulk of assessment and prioritization is done within sectoral departments, with the input of MPs and ministers, before TPIC review. Within the TPIC, MPs are the most outspoken in shaping the prioritization of projects. As with the identification and generation of proposals, there will be a continuing need in the years to come to consider how effectively MPs are able to represent all within their constituencies, to strengthen their capacity to do so, and to ensure they are held to account for the decisions they make.

There are a number of special projects and programs that empower local actors to decide on how money is spent in their areas, which may serve as models for decentralization in the years to come. Under the Department for Rural Development-implemented NCDDP, locally-identified priorities are selected and financed at the village-tract level, before implementation at the village level, with the approval of the TPIC. Under the UNDP, a broader range of stakeholders are responsible for jointly prioritizing and shortlisting locally-identified proposals for investment, before a final decision is made.

While all communities should have the opportunity to be involved in the selection of projects in their area, the need for effective community participation is especially important in conflict-affected areas. In communities affected by conflict, there may be less trust of the government, and less confidence that the government understands, and will be responsive to local priorities. Where decisions are made without community involvement or other local governance actors such as ethnic armed organizations (EAOs), infrastructure investments have the potential to increase existing tensions and/or lead to conflict. It is critical that conflict-affected communities have meaningful opportunities to identify their priorities and select projects.

DECISION-MAKING AT THE STATE/REGION LEVEL

State/region governments, their officials and the state/region hluttaws are all critical actors in budget decision-making. State/region governments lead the state/region budget drafting process and are

responsible for determining how much money each department will receive, as well as how each department will spend its money, including which specific projects to support, and how to divide money among townships. State/region governments are also responsible for reviewing proposals for the Union budget. State/region hluttaws are increasingly assertive in their reviews of the state/region budgets, with many MPs working to ensure their townships receive a “fair” share.

In recent years, the Union government has facilitated better state/region government budgetary decision-making through reforms to the fiscal transfer process. Since 2015/16, the amount that state/region governments receive from the Union government has been determined, in part, by a formula. The formula supports strengthened decision-making by providing state/regions with a more predictable estimate of how much money they will receive. State/region governments are also being informed on how much fiscal transfer they will receive increasingly early, providing state/region governments with more time with which to make informed decisions on how best to spend their money.

Determining how much departments receive from the state/region government budget is largely shaped by state/region government policy. The total amount available for capital investments is a function of total revenues (both own-source as well as fiscal transfers), less current expenditure. Current expenditure proposals are reviewed and agreed by the Budget Department before capital, with strong pressures to limit any increases in current departmental spending. State/region government policy sets the parameters for departmental allocations for capital expenditure, with governments predominantly focussing on building infrastructure that will drive regional development, such as roads, electricity, and water supply. Within sectors, priorities are also identifiable, including, for example, the prioritization of strategic highways over rural roads. The process through which departmental allocations occurs varies among states/regions, but is typically led by the state/region Minister of Planning and Finance and/or the Budget Department, with final review or agreement sought from the state/region cabinet or chief minister.

The process of determining which projects identified through the “bottom-up” planning process receive funding is led by sectoral state/region department heads, who reportedly “respect” the prioritization of lower levels. Within their allotted budget ceilings, state/region department officials review proposals to ensure they align with policy and technical criteria, that there is no overlap in proposals, and that all the requests of ministers and MPs are captured in plans. Department heads report that they typically respect the proposals

of lower levels, especially those from MPs or ministers, which are prioritized. Few department heads explicitly think in terms of township allocations of funding, with allocations largely shaped by historical precedence, and by the practice of “spreading,” whereby townships receiving similar amounts regardless of relative need.

The role of the Planning Department and of state/region planning committees and commissions in reviewing capital investment proposals varies significantly among states/regions. In one state, the Planning Department actively reviewed and prioritized the proposals from sector departments against state government policy and the MSDP. In this state, the SPIC met frequently in the build up to budget drafting, acting as an important forum for cross-sector coordination and decision-making. In another state, the Planning Department was almost entirely absent from the budget drafting process.

State/region chief ministers and their cabinets are responsible for the final appraisal and decision-making in relation to the draft budget and planning bills. Before submission to the state/region huttaw, the Budget Department drafts the budget, which is then submitted to the Minister of Planning and Finance before the cabinet for approval. The views of the chief minister on what should be considered priority proposals are of particular significance.

In reviewing proposals for the Union budget, the roles of the state/region government and state/region department officials vary significantly. In one state, for example, Department of Basic Education officials played a limited role in the review of new school building proposals, whereas the state government made “significant” changes to the plans, including the addition of new proposals. In the same state, the state government signed off on proposals for the Department of Public Health, with detailed work of proposal appraisal and prioritization led by department officials.

State/region huttaws and their Public Accounts Committees (PACs) have become increasingly willing to challenge state/region governments’ proposed budgets and decision-making, but the focus of many representatives is largely parochial. PACs and MPs review the proposed budgets but the focus for many representatives is ensuring that their priority proposals are included and/or reviewing proposals for projects in their own townships, while not reviewing others. There are few examples whereby MPs or PACs review the policy intentions of the budget, and challenge the strategic aims of government spending.

Opportunities for community participation in decision-making at the state/region and Union level are few. While there are examples of civil society successfully mobilizing to oppose specific project plans on an ad

hoc basis, there is little routine involvement of civil society actors in decision-making. There is a continuing need for facilitating engagement between civil society, and state/region and Union governments in the drafting of their respective budgets, ensuring greater diversity of perspectives, particularly those of marginalized and underrepresented groups in decision-making.

DECISION-MAKING AT THE UNION LEVEL

At the Union level, the Union government, departmental and ministerial officials, and the Union huttaw are responsible for planning and budgeting decisions for the Union budget. Each of the Union-level actors is responsible for reviewing and appraising planned Union budget expenditure. Additionally, the Union level has an opportunity to review and approve spending under the state/region government budgets.

Determining the size of ministry and departmental budgets under the Union budget is largely shaped by Union-government policy. The Ministry of Planning and Finance (MOPF) carries out an initial review of Union ministry and department proposals, before deciding how the Union budget will be allocated among Union ministries. The MOPF will consider the Union government’s current priorities as well as referencing government policy, such as the MSDP. In the build up to the decision, Union ministers, their ministries and/or departments may lobby the Minister of Planning and Finance, President, or State Counsellor. Significant changes that are made to ministry or departmental allocations will likely require the prior agreement of senior members of government, such as the State Counsellor. Budget ceilings are provided to ministries, who in turn, determine the allocations among their respective departments, which are typically closely linked to historical allocations.

Each sectoral department and ministry follows their own process, with their own criteria and policies, that shape decision-making in budgeting through the cut-back of proposals to match budget ceilings. Departments will review the long lists of proposals against technical criteria and departmental policy, but with little information on the context or detail of individual proposals. Some departments, such as Rural Roads Development, introduce their own proposals for projects that contribute toward their strategic aims. Across all departments and ministries, proposals submitted or supported by MPs or ministers will be given special attention and high prioritization. Department officials report that a key challenge of their work is balancing the strategic priorities of the department with the requests from MPs and ministers, with some departments receiving many more requests from MPs than they are able to fund. Some

departments have formulae or policies for determining the allocation of expenditure among states/region, although it is unclear whether these formulae are followed. Further, some departments will allot priority to states/regions for investment, based on Union government policy. However, there are generally no such criteria or considerations that shape the allocation of expenditure among townships.

The role of Union departments and ministries in reviewing their subsidiary state/region department proposals for spending under the state/region budgets varies markedly, although the Union-level does not significantly limit the discretion of state/region governments. For example, proposals for spending by the Electricity Supply Enterprise under the state/region budget are not reviewed or agreed by the Union level, with complete discretion said to rest with state/region officials. Proposals for spending in the road sector, however, are reviewed at the Union level, and are

checked to ensure they meet departmental guidelines and policies, as well as cross-checked with Union plans to ensure there is no overlap. No significant changes are reportedly made.

OUTCOMES OF DECISION-MAKING AT THE STATE/REGION AND UNION LEVELS

State/region governments are responsible for a significant proportion of the capital investments in local infrastructure. Despite the fact that the state/region government budgets account for only 11.8 percent of total government spending,¹³⁴ state/region government expenditure accounts for 56 percent of total government expenditure on capital investments in a sample of 24 townships, and as much as 88 percent of capital expenditure in Hpapun township.¹³⁵

BOX G

Where “top-down” meets “bottom-up”

In documenting the relationship between the planning and budgeting processes, this report has identified two critical nexus where “top-down” meets “bottom-up.” The first nexus is at the township level, which is central to efforts at introducing “bottom-up” planning. The second nexus is at the point at which budget decisions are made, at the state/region and Union government levels. Both of these critical junctures present opportunities for strengthening decision-making and reducing the tensions between “top-down” and “bottom-up” (see below for detailed recommendations).

At the township level, the absence of township governments and budgets creates an immediate challenge, as efforts to develop the “bottom-up” planning process are removed from decision-making. Ensuring greater responsiveness to local needs thus requires better alignment of the “top-down” and the “bottom-up,” with two main options. Firstly, better alignment can be sought through a series of steps that ensure township planning processes are as efficient and effective as possible, such as the provision of clear and timely instructions to townships on how to carry out planning, as well as explicit indications from government over their priority spending areas. Budget ceilings would support the transition away from township “wish lists” toward more thorough project appraisal and serious prioritization. Secondly, a more significant step would be the provision of township budgets, that would create a more direct link between the “top-down” and the “bottom-up.” The introduction of a multisector budget at the township level, for example, would incentivize the strategic consideration of township needs, rather than the current model of siloed, sector-based prioritization. Whether through budget ceilings or the provision of township budgets, greater certainty in the resources that townships will be allocated is critical in providing incentives to promote budget-constrained prioritization, as well as meaningful participation in decision-making.

At the state/region and Union levels, planning and budgeting processes are not well aligned in some state/regions and sectors. The planning process may occur without considering the budget available or the budget priorities of the government, or it may happen too late in the budget process to effect decision-making. Planning should ultimately serve to improve budgetary decision-making and it is critical that governments, ministries and departments, all seek to ensure better alignment between the two processes. At its heart, this requires government and officials to stop viewing budgeting and planning as two different processes, but as one single budget and planning process.

There are significant inequalities among state/regions and among townships in capital expenditure, and it is unclear whether Union and state/region government expenditure is spent where it is needed most.

In a sample of 24 townships across Chin and Kayin States, and Mandalay and Sagaing Regions, the average per capita spending is lowest in Mandalay Region, with average per capita spending over ten times larger in Chin State. Matupi township, Chin state, was the recipient of over 40 times more capital spending investments in 2018/19 than Mogoke township, in Mandalay Region. Within states/regions, there is also considerable variation. The overall disparities between states/regions is predominantly a consequence of

differences in the Union government grant transfer. Inequalities in capital spending are also present within sectors, with significant variance in departmental spending averages, among states/regions and townships for many departments and ministries. When spending patterns are compared with development indicators, which serve as a proxy for need, there is no clear relationship, both in terms of overall government spending and within sectors, between expenditure and levels of need. This evidence should serve as a prompt, for the Union and state/region governments to carefully think about what data could and would be useful for them to identify needs systematically and target spending accordingly.

5.2 RECOMMENDATIONS

FOR GOVERNMENT

Strengthen the “bottom-up” planning process

Ensure that all actors receive clear and timely instructions on the timetable and activities required as part of the planning process. Departmental officials report that they often receive instructions from their department or ministry, or from the Planning Department, in the build up to the planning and budgeting processes. Officials report that they are not always clear of what their responsibilities are, that they may receive instructions with different or conflicting information or timelines, or that they receive instructions too late for them to follow effectively. The Planning and Budget Departments and sector departments should work together to agree clear instructions and timelines, with clear points of contact if officials need further information.

Ensure better alignment between planning and budgeting processes. Department officials and government ministers often speak of planning and budgeting as entirely separate processes, with Planning Department officials stating that they “never think about the budget.” However, planning should ensure better decision-making in the budget process. To do so, the two processes need to better align, and there are a number of ways that this can be achieved:

- **Timing:** Ensure that the planning calendar aligns with the budget calendar for both state/region and Union budgets, and for every sector department. To do this, it is likely that the planning process will need to start earlier in many states/regions and townships.
- **Budgets or budget ceilings:** The current process, especially at the township level, of developing plans with little or no consideration of the budget

leads to lengthy “wish lists,” which may be as much as ten times the available budget for the coming year. The absence of a budget ceiling undermines incentives for community engagement, and the serious prioritization of projects to create shorter, more realistic sets of proposals. Shorter lists of proposals would allow for more thorough appraisal, and better quality investment plans and projects. At the township level, an alternative to a budget ceiling would be the introduction of a township-level budget with local discretion. A multisector budget, for example, would encourage the consideration of strategic needs across the whole of a township, rather than the continuation of siloed sectoral prioritization.

- **Proposals:** The Planning Department and sector departments should consider the information required by sector department officials at each administrative level, and Budget Department, in order to carry out effective project appraisal and make effective decisions. At present, the proposals for some departments are simple, one-line statements of the basic details of the project or, at best, some proxy measures of benefit, but not information which would facilitate a cost-benefit analysis, or useful comparison with other projects.
- **Government policy and strategy:** The planning process should be carried out with a specific eye to government policy priorities and strategy, so that proposals reflect not just community needs, but those the government is looking to fund.

Strengthen the role of the Township Plan Formulation and Implementation Committees and their capacity to meaningfully appraise projects and facilitate the planning process. In the absence of local government in Myanmar, TPICs offer an important opportunity as broader representative fora that bring together local governance actors, including civil society, to think

strategically about the needs of townships. As noted in chapter 3, there are a wide variety of practices across TPICs, with committees in some townships playing a passive role in project appraisal. With guidance and adequate time, TPICs have the potential to become critical in the discussion and examination of proposals at the local level, to ensure all proposals reflect community needs, and to prioritize projects with the greatest net benefit, but key to this will be the introduction of budget ceilings or a budget, as above. In some townships, community representation on the committee could also be made more meaningful. Strengthening the TPICs will require capacity-building support, and clearer instructions, rules and regulations, and could include strengthening of their decision-making power (see below).

Strengthen the capacity of Ward / Village Tract Administrators to represent their communities. Under the current “bottom-up” planning process, alongside MPs and ad hoc consultations by department officials, W/VTAs are critical conduits between government and communities. At present, W/VTAs receive little support to strengthen their capacity to engage with communities, and to collect and prioritize needs. Department officials also report that W/VTAs in more remote communities, especially where Myanmar-language speaking is less prevalent, are less active in engaging in the planning process. Specific support should be provided to ensure that all W/VTAs are able to develop and submit proposals to the benefit of their communities.

Ensure sufficient space for civil society in the planning process, including meaningful community participation. Outside of the special projects and programs with an explicit participatory-planning dimension, there are limited opportunities for civil society participation in the “bottom-up” planning process. Local officials and government should carefully consider civil society in their areas, and how they may be able to strengthen their understanding of community needs, for example, through soliciting proposals from CSOs in their area. Any increased involvement of civil society and/or communities should be “meaningful”, i.e. they will be able to shape decision-making. Department officials report growing mistrust between communities and government, and/or fatigue in “participatory” activities, where communities are asked to engage in planning, but their voices are “unheard.” For example, if communities are asked to identify local development priorities, but those priorities go unfunded year after year.

Ensure land donations from communities or individuals are given willingly and without undue pressure. One specific issue of concern is the reported pressure communities or individuals come under to donate land to support a specific project. While many

donations may be given freely and willingly, sector departments should review how they engage with VTAs and communities to solicit donations to ensure that approaches are not placing undue pressure, and thus creating mistrust between communities and government. In the longer-term, the government should consider its ability to provide compensation for land.

Strengthen the state/region and Union government budget process

Ensure state/region and Union governments articulate their strategic priorities for the coming budget year.

In advance of the planning and budgeting processes, department officials and other governance actors would benefit from a clear articulation of the government and their ministry/departments strategic priorities for the coming budget year. These should be transmitted to the township level through the annual instructions or guidelines to start the planning process. This would facilitate the development of plans and budgets with greater alignment to government policy. A public statement of priorities would also empower civil society to hold the government to account for its budgetary decision-making.

Empower governance actors at lower, more local levels to exert greater discretion and influence over the decision-making process. The budget process provides unique opportunities to critically strengthen local actors’ capacity and authority, as part of the government’s broader efforts in decentralization. One way to strengthen local actors’ discretion and influence over decision-making is to ensure better alignment between the planning and budget processes (see above). Improved alignment would empower local governance actors to better shape the decision-making space of those at higher levels. For example, if local actors develop plans within a budget ceiling, there is less scope for those at higher levels to choose proposals that local actors consider lower priority, but are currently included in their “wish lists.” Further empowerment could come in the form of giving local levels greater discretion over how money is spent in their areas. The Bago Region Government’s decision to give townships discretion over a significant proportion of capital investments in their area is a potential model for this. It is important that any greater discretion at lower levels is accompanied by effective mechanisms for ensuring oversight and accountability in decision-making.

Ensure state/region and Union government budgets reflect need and are equitable. It is not clear that current allocations of spending for states/regions, townships, wards and village tracts, and individual villages made by individual departments through state/region and Union government budgets are equitable. Tendencies within the budget process, such as “spreading”

funds equally across townships or states/regions, or following historical allocations, may serve to entrench and exacerbate inequities. Additionally, department officials, ministers, and MPs all accuse each other of “biased” decision-making in planning and budgeting, favoring their own communities, for example.¹³⁶ In the absence of effective and transparent project appraisal and comparison, it is difficult for stakeholders to prove bias, or indeed to support their own opinions, on what projects would best serve the needs of communities. Governments and officials would benefit from systematic data that helps them to understand and compare the needs of local communities, so that spending can be better targeted on areas where it will have the greatest impact. In addition to data, the introduction of formulae for allocating resources, where variables such as population and land area, may serve to increase the equitability and predictability of government expenditure. Increased transparency in decision-making would also serve as evidence with which to assess accusations of biased decision-making.

Ensure enough space for civil society in the budget process, including meaningful community participation.

At present, there are few opportunities for civil society to engage with the budget process at the state/region and Union level. Government should consider how civil society could better contribute and facilitate routine engagement as a means of strengthening decision-making. An example would be through a regular CSO fora bringing CSO representatives and government together. One way to strengthen community participation would be to ensure greater transparency in budget decision-making, so that civil society actors are better able to hold the government to account.

Ensure planning and budgeting for conflict-affected areas is conflict-sensitive

Ensure that planning and budgeting helps to build trust in government and offer real benefits for people in conflict-affected areas. While important in all communities, ensuring that communities feel properly consulted, involved in decision-making, and supportive of local development projects, is especially important in conflict-affected areas, where communities may have less trust that the government is acting in their interest. In these areas, government should consider how best to strengthen community engagement and involvement in decision-making to build trust and understanding.

Consider how best to develop arrangements for planning and budgeting in areas of mixed governance control. Government should recognize that, in areas of overlapping or mixed authority, alternative governance actors such as EAOs may also require capacity-development support to strengthen their own planning and budgeting processes, and that such efforts may

serve to build trust. In these areas, the government should consider how to support arrangements, until a comprehensive political settlement is agreed and implemented. This may include how Union and state/region government planning and budgeting processes align and complement alternative governance actors’ own arrangements.

FOR PARLIAMENTS AND MPS

Strengthen the role of MPs in the planning and budgeting process

Support MPs’ understanding of community needs and engagement with communities. Under the “bottom-up” planning process, MPs are given a critical role as a conduit between communities and the government. However, MPs receive little assistance from their parties or from hluttaw offices to support this work, or training in how to engage with their communities. MPs need to receive adequate support and training to empower them to strengthen their understanding of community needs, and how to assess the relative merits of different proposals.

Ensure MPs are able to effectively hold the government to account. Recent developments in increasing the influence of MPs in the selection of investment projects are arguably a positive development. Rather than decisions made by those who have little knowledge of local needs and wants, decision-making is now led by those with a greater insight and who can be held to account for decision-making at the ballot box. Some department officials report that projects identified by MPs often reflect the most important needs of communities and their involvement is therefore useful. However, MPs’ increasing individual involvement in the inputs to the budget may limit their ability to collectively as a legislature, hold the government to account, and critically examine the draft budget, since they have an increasing interest in the draft budget passing. Consideration should be given as to how MPs and parliaments can best perform their role of scrutinizing the budget. The role of MPs must also complement the technical expertise of department officials, and it may therefore be advisable for MPs to play a larger role in shaping the strategic direction of township priorities, rather than the selection of individual projects.

Strengthen the role of parliamentary Public Accounts Committees in reviewing the budget

Build Public Accounts Committees’ capacity to analyze budgets. At present, PAC members report that their analysis of budgets is rudimentary, with limited capacity to carry out budget analysis and/or strategically consider the policy intentions and impacts of budgetary decisions. PACs could perform a critical

role in considering, for example, the relative needs of different townships so that allocations are made more equitable.

Consider need for rules for Public Accounts Committee membership and participation. The example of a PAC in one state whose membership includes a local businessman with business interests in the projects he is responsible for overseeing, is evidence of a conflict of interest. Clear rules for PAC membership and participation may help mitigate the risk of members benefiting personally from their positions.

FOR CIVIL SOCIETY

Strengthen the role of civil society in planning and budgeting

Develop understanding of current planning and budgeting processes. Civil society actors may not be clear about who is responsible for planning and budgeting decisions, and when and how the decisions are made, limiting the ability of civil society to shape decision-making. There is a continuing need to raise awareness of the importance and understanding of planning and budgeting processes, so that civil society understands how and why it ought to seek to influence government, and can tailor its engagement to be more strategic.

Consider, articulate and demonstrate to government how civil society can and should support government planning and budgeting. Many government actors report that communities wants and needs are effectively represented under current processes, and that they are unsure if civil society could strengthen their work.¹³⁷ Civil society actors must be able to clearly articulate and demonstrate to government what their role can be, and how they can contribute toward effective decision-making. Such efforts need also to seek to build trust with government and should not simply look to shine a spotlight on perceived poor decision-making.

Continue work to support advocacy of underrepresented and marginalized groups. At present, decision-making by government risks perpetuating the perspective and aims of a narrow group within society, i.e. political elites, who are typically male, Bamar, and Buddhist. One area in which civil society can support improved decision-making is representing the needs and views of a broader range of society so that groups that are typically underrepresented are heard.

FOR DONORS AND IMPLEMENTING PARTNERS

Ensure that support for planning and budgeting is sensitive

to and supportive of strengthening current government processes and policies

Develop understanding of current planning and budgeting processes. With two different levels of government, and their corollary budgets, and with responsibilities between different administrative levels and among sectors that are often complex, shifting and unclear, it is critical that donors and implementing partners understand the processes and policies they are attempting to strengthen. The impact of projects will be limited if donors do not understand and recognize basic realities of planning and budgeting in Myanmar, such as the limited decision-making authority of local actors including township department officials, and the fact that there is no township budget in the accepted sense.

Design and adapt projects that address areas for development in current planning and budgeting processes. Projects should reflect current realities, and seek to reinforce existing governance actors and processes whenever possible. For example, numerous projects in Myanmar currently seek to strengthen the role of civil society in planning and budgeting. The impact of these efforts will be limited, where projects do not have clear strategies for government engagement, that reflect current processes and entry-points therein.

Continue to support civil society. Donors and implementing partners have a continuing obligation to support and advocate for the role of civil society in government decision-making, to support CSOs and communities to engage with government, and to build their capacity. Support for civil society should centre on ensuring “meaningful” participation of civil society actors and communities, where they are able to affect decision-making. Where this does not occur, this can lead to fatigue and mistrust between civil society and communities, and government, if the government is not able to respond effectively to demands. What “meaningful” participation looks like varies among geographical areas, sectors, and projects. For example, in the roads sector, “meaningful” participation may alter in relation to the scale of infrastructure being built. For example, a village road will likely require different levels of community participation and engagement than a highway. Donors and implementing partners should understand and map civil society actors in the areas they work, and seek to bridge gaps in capacity where necessary.

Ensure effective monitoring and evaluation of project implementation

Effectively monitor and evaluate the impact of projects, and adapt implementation where necessary. As projects are implemented, donors and

implementers should routinely monitor their impacts to ensure that the project is contributing to positive change. With planning and budgeting an area where policies and processes have developed in recent years, projects need to remain flexible and sensitive to changes. Projects may also have unintended effects. Projects to support participatory planning, for example, may only serve to reinforce the influence of local elites over decisions. Such influence can be difficult to identify without effective, ongoing monitoring and evaluation.

Share learning of successes and challenges in project implementation with government, and with other donors and implementers. Achieving significant and meaningful change takes time and can be challenging. Donors and implementers have an obligation to share successes and challenges in project implementation with others, including government, so that a better understanding of “what works” can emerge.

Ensure support to planning and budgeting processes in conflict-affected areas is conflict-sensitive and committed to supporting peace¹³⁸

Ensure project design and implementation are conflict-sensitive. Donors and implementing partners should recognize that government budgets, and the projects they fund, can increase tensions. Projects in conflict-affected areas must be sensitive to their effect on local communities, including how communities will benefit from development. They should consider how they can contribute toward trust-building between peace process actors. For each conflict-affected area that donors and implementing partners are considering working in, careful analysis should be carried out to understand existing governance arrangements, including

which actors are considered legitimate, and current infrastructure and service provision, recognizing that the answers to these questions may vary significantly across relatively short distances. It may be the case that certain types and scales of infrastructure cannot be constructed without exacerbating tensions, and thus should be avoided entirely. Consultations with relevant communities and stakeholders should be meaningful, including the right to refuse infrastructure and services. Where appropriate, projects should also increase collaboration between government and local governance actors and service delivery systems.¹³⁹ Projects should thus be designed to include other legitimate political actors, and to have the flexibility to vary from area to area, depending on local conditions. Projects should be particularly sensitive to issues such as land ownership, which may be highly contested in some areas.

Recognize that complex governance arrangements will persist, and acknowledge the need to support transitional arrangements.¹⁴⁰ For the foreseeable future, there will continue to be areas of Myanmar with overlapping or mixed authority, with alternative governance actors with significant capacity and legitimacy in their areas. In these areas, support for EAOs planning and budgeting will be critical to Myanmar’s development targets, and reaching some of Myanmar’s most vulnerable communities. Supporting arrangements in these areas is necessary until a comprehensive political settlement is agreed and implemented. This may include how Union and state/region government planning and budgeting processes align and complement alternative governance actors’ own arrangements, and encouraging collaboration between the different actors, when appropriate.

ANNEX A

INTERVIEWS AND POLICY DIALOGUES CONDUCTED IN SUPPORT OF THE RESEARCH

INTERVIEWS

State/Region	Date	Interviews	Number of individuals met				
			State/Region Government	State/Region Hluttaw ¹⁴¹	Officials	W/VTAs ¹⁴²	Others ¹⁴³
Kayin	January 2019	27	4	5	26	2	3
Rakhine	February 2019	35	3	5	42	11	4
Chin	February – March 2019	28	3	3	33	4	0
Yangon	February – April 2019	6			2		14
Nay Pyi Taw	April 2019	11			28		
TOTALS		192 stakeholders interviewed	10	13	131	17	21

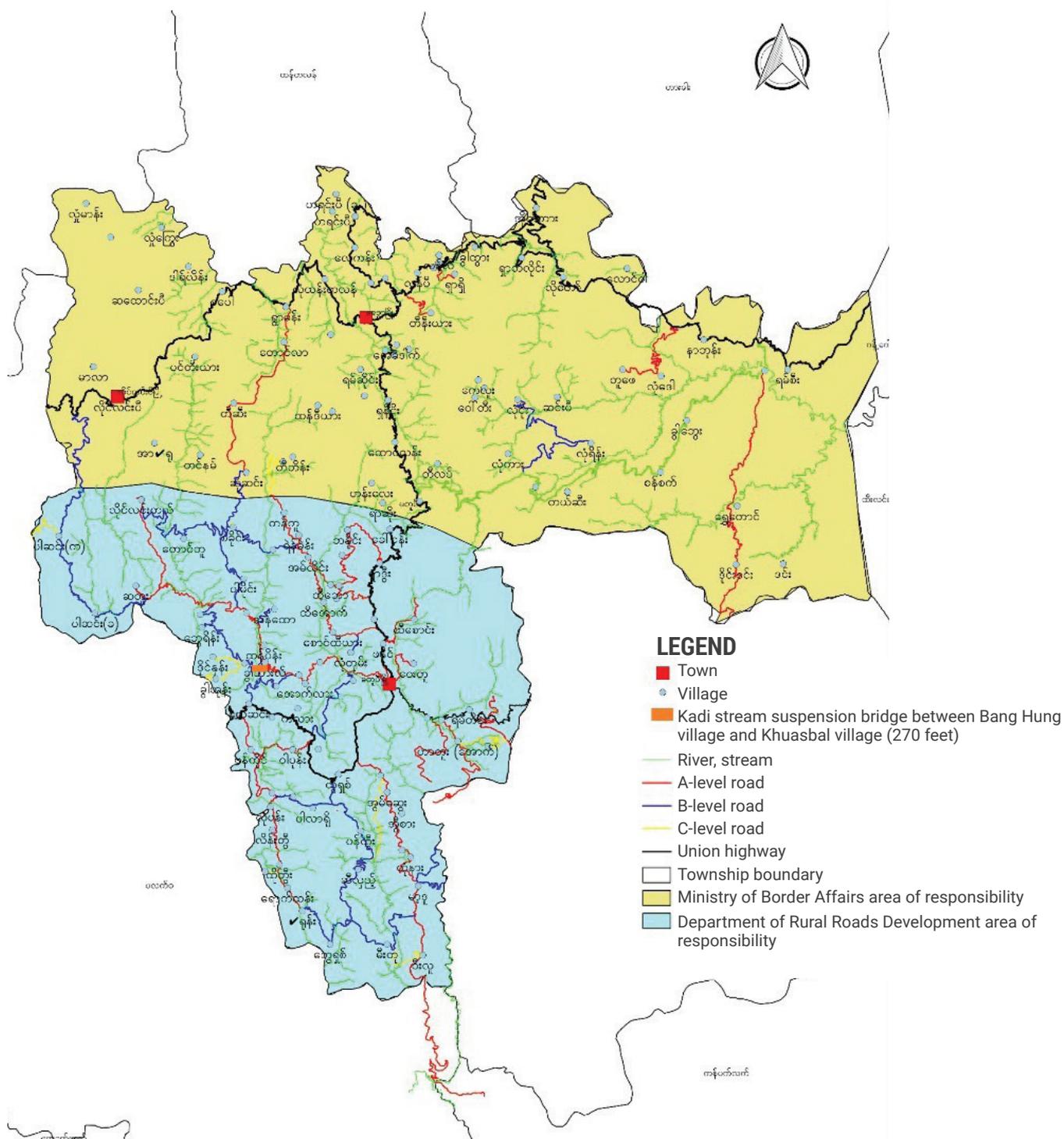
POLICY DIALOGUES

State/Region	Date	Policy dialogues	Number of participants			
			State/Region Government	State/Region Hluttaw	Officials	W/VTAs
Kayin	January 2019	1	2	3	24	8
Rakhine	February 2019	1	2	0	42	10
Chin	February 2019	1	1	2	32	1
TOTALS		127 participants	5	5	98	19

ANNEX B EXAMPLE OF RURAL ROADS NETWORK MAP – MATUPI, CHIN STATE.

QUESTION FROM MEMBER OF PARLIAMENT (HOUSE OF REPRESENTATIVES) U PA HTAN

Location indicator of Kadi stream suspension bridge between Bang Hung village and Khuasbal village



ENDNOTES

1. These efforts include the creation of a new public financial management strategy, and reforms under the Medium-Term Fiscal Framework (MTFF), through which the Union government has been moving toward a “rule-based” financing model, inspired by international best practice.
2. Batcheler 2018.
3. Ibid.
4. Interview with key informant in state/region government, February 2019.
5. International Budget Partnership (n.d.).
6. Batcheler 2018.
7. Research was carried out in Hakha, Matupi, and Tonzang townships in Chin State, in Hlaingbwe, Hpa An, and Kawkareik townships in Kayin State, and Gwa, Ponnagyun, Sittwe, and Thandwe townships in Rakhine State.
8. The DRRD was created in 2017, and marked the responsibilities for rural roads transferred from the DRD in the Ministry of Agriculture, Livestock and Irrigation, to a newly-created department in the Ministry of Construction.
9. Hluttaw: Council or assembly. Historically, a council of ministers, the term now denotes legislative bodies at the Union and state/region levels. The Pyidaungsu Hluttaw, or Union Legislative Assembly, is a joint session of the upper and lower houses of the Union parliament. The Pyithu Hluttaw, or People’s Assembly, is the lower house of the Union parliament. The Amyotha Hluttaw, or Nationalities Assembly, is the upper house of the Union parliament. State/Region Hluttaws are the state/region parliaments.
10. A complete catalogue of The Asia Foundation’s reports on subnational governance in Myanmar can be found at <https://asiafoundation.org/tag/myanmar-governance-discussion-paper-series/>.
11. Burke et al. 2017.
12. Jolliffe 2015.
13. South et al. 2018.
14. See section 2.1, Batcheler 2018, for a detailed explanation of the structure of government in Myanmar under the 2008 Constitution.
15. See section 2.2, Batcheler 2018, for a detailed explanation of the structure of administration in Myanmar.
16. The change was made to facilitate purchasing and infrastructure budgeting during the dry months from November to May. Under current arrangements, the dry season is cut short by the transition from one budget year to another. An intermediary period from April 1, 2018, to September 30, 2018, was covered by a six-month budget until the beginning of FY 2018/19 in October 2018.
17. State/region planning laws detail both the investments from the respective state/region budget, and from the Union budget.
18. Schedule 2 of the Constitution was expanded by constitutional amendment in 2015. See annex D, Batcheler 2018, for an unofficial translation.
19. State Peace and Development Council Law No. 16/2010.
20. Pyidaungsu Hluttaw Law No. 14/2014.
21. Draft Pyidaungsu Law (unnumbered)/2019, entitled Rural Development Law. A copy of the draft law can be found in Myanmar, here: https://pyidaungsu.hluttaw.mm/uploads/pdf/R8KPAZ_2018.12.27%20Rural%20Draft%20PyidaungsuHluttaw.pdf
22. Ministry of Planning and Finance, Notification 35/2017.
23. Chapter VII of the regulations include detailed information on transfers from the Union Fund to the state/region Fund. The annual deficit grant transfer, or general grant transfer, is an unconditional fiscal transfer from the Union government to the state/region governments that comprises the majority of state/region government revenues. In FY 2017/18, the deficit grant transfer constituted 69 percent of total state/region government revenue.
24. Republic of the Union of Myanmar, Office of the President (2016a). Order 11/2016.
25. Republic of the Union of Myanmar, Office of the President (2016b). Order 12/2016.
26. Republic of the Union of Myanmar, Office of the President (2016c). Order 13/2016.
27. In most state/regions, this is the Minister for Planning and Finance.
28. Projects are limited to 5 million kyats.
29. Pyidaungsu Hluttaw Law No. 9/2014, Development Fund Law.
30. Order 82, 86/2013 and Notification 92/2014

31. Kyi Pyar Chit Saw and Arnold 2014, 35.
32. Republic of the Union of Myanmar, Office of the President 2013. Notification 27/2013.
33. UNDP Myanmar 2015a.
34. UNDP Myanmar 2015b.
35. Republic of the Union of Myanmar, Office of the President 2016d. Order 37/2016.
36. There have been suggestions that the committees were abolished to remove USDP influence, as committee members were viewed as being loyal to the party.
37. The committees comprise four public members: a chair, a people's representative elected by people living in the municipality, other people's representatives (often from the business community or someone with engineering or municipal experience), and three civil servants, including the executive officer of the DAO and the GAD deputy administrator.
38. Arnold et al. 2015.
39. New Myanmar Foundation 2018.
40. UNDP Myanmar 2015b.
41. See Robertson, Joeline, and Dunn 2015 for further information.
42. The PRF could fund projects larger than those under CDF. Under the PRF, states and regions allocated funds differently; in some states/regions, only rural townships received funds, in others, allocations were made using a formula, and in yet others, officials determined which areas they thought most needed funding.
43. UNDP Myanmar 2015b.
44. Previously, no elections were held, and GAD township administrators directly appointed W/VTAs.
45. Under the current system, representatives from each household elect 10-household leaders. Household representatives then elect a 100-household leaders from the elected 10-household leaders. If there is only one elected 100-household leader, he/she will automatically become the W/VTA. Where multiple 100-household leaders are elected, household representatives vote again to elect a W/VTA. The process is overseen by a Supervisory Board of five elders, appointed by the Township Administrator.
46. Ministry of Planning and Finance 2018a.
47. Ministry of Planning and Finance 2018b.
48. Ministry of Planning and Finance 2018b, 17d.
49. Ministry of Planning and Finance 2018b, 19b.
50. Ministry of Health and Sports 2016.
51. Ministry of Health and Sports 2016, 4.
52. Ibid.
53. Ministry of Education 2016.
54. See section 1.2.5., Ministry of Education 2016.
55. Ministry of Education 2016, 56.
56. Ministry of Agriculture, Livestock and Irrigation 2017.
57. Department of Highways 2016.
58. In 2017, responsibility for the rural roads sector was transferred from the DRD, in the Ministry of Agriculture, Livestock and Irrigation, to the newly-created DRRD, under the Ministry of Construction.
59. Ministry of Agriculture, Livestock and Irrigation 2017, 2.
60. Ministry of Agriculture, Livestock and Irrigation 2017.
61. It is important to note that only government-registered villages are eligible under the strategy. This has important implications for those living in unregistered villages, which are disproportionately located in remote and conflict-affected areas.
62. Important to note that the government's rural road strategy focusses on extending roads to villages, but does not include intra-village roads.
63. The policy is included in the National Energy Master Plan, published in December 2015. See du Pont 2019, for further information on energy and electricity policy in Myanmar.
64. Du Pont 2019.
65. Du Pont 2019.
66. Government of the Republic of the Union of Myanmar 2016.
67. Government of the Republic of the Union of Myanmar 2016, 8.
68. The township level refers to township department officials, their engagement and coordination with each other, and with communities and other officials at the township, ward, village tract and village levels.
69. Following the passage of the Union and state/region government budgets, a document called a "township plan" is developed by the Planning Department which combines all capital investments across departments for under both budgets.
70. The objective of the fund is to provide loans to community members for entrepreneurial activities in the village. Returns from the loans are then reinvested in the local community. For further information, see Robertson,

- Joelene, and Dunn 2015.
71. ERLIP aims to support participating villages in three townships to increase incomes and reduce poverty by helping communities to identify, prioritize and plan their development needs and produce plans. It provides block grants to construct or improve priority infrastructure and implement initiatives to improve livelihoods. <https://www.cardno.com/projects/enhancing-rural-livelihoods-and-incomes-project-erlip/>
 72. <http://vdp.drdmyanmar.org/en/about-vdp>
 73. <https://www.lift-fund.org/news/village-development-planning-workshop>
 74. For further information on VDP, see Guidelines on Village Development Planning Process, Myanmar (Department of Rural Development 2015a), and Manual for Formulation of a Village Development Plan, Myanmar (Department of Rural Development 2015b).
 75. For further information on TRDSP, see Township Rural Development Strategy and Programme, Myanmar (Department of Rural Development 2017).
 76. Interviews with township education officers.
 77. Proposals from W/VTAs are expected to include the following information: 1) Village or ward name, 2) Proposed activity, 3) Purpose of activity, 4) Rank (in relation to other proposals from the W/VTA), 5) Cost (to be completed by respective department, 6) Budget, i.e. whether it will be financed from state/region or Union budget, and 7) Additional remarks or comments.
 78. Interviews with township officials.
 79. Pyidaungsu Hluttaw 2019.
 80. The Ananda 2019.
 81. Interviews with township officials.
 82. Van Zyl 2010.
 83. For further details, see Batcheler 2018.
 84. Interviews with W/VTAs.
 85. Interview with VTA.
 86. As of January 2019, only 109 of the 16,829 W/VTAs were women. Unpublished GAD data.
 87. Interviews with township officials.
 88. The Asia Foundation 2014.
 89. The Asia Foundation 2018.
 90. MyJustice 2018.
 91. MDR and Kempel 2012.
 92. Interviews with W/VTAs.
 93. A4EA (forthcoming).
 94. Hossain et al. 2018.
 95. South et al. 2018.
 96. Ibid.
 97. Interviews with government officials at township, district and state/region levels.
 98. Interviews with township DRD officials.
 99. The amount communities have to pay varies in relation to the size of the proposal.
 100. Interviews with township education officials.
 101. Interviews with DPIC members and district-level officials.
 102. Of the total available pool, 60 percent of the township allocation is fixed (i.e. all townships receive the same), 15 percent is allocated according to population, 10 percent according to the rural road requirement, 10 percent according to the rural bridge requirement, and 5 percent according to the area of the township. The formula results in per capita allocations ranging from MMK 5,657 in Bago township, to MMK 22,961 in Zigon township. The size of the fixed allocation means that total township allocations are quite similar, reflecting the bias to “spreading” resources evenly, if not always equitably.
 103. Government of the Republic of the Union Of Myanmar 2018a.
 104. Government of the Republic of the Union of Myanmar 2018b.
 105. South et al. 2018.
 106. Nyein Nyein 2018.
 107. These instructions were issued in response to issues in budget execution, whereby projects received funding under the government budget, but could not be implemented as no land was available.
 108. The formula includes the following criteria, all weighted equally: state/region population, based on the national population census, 2014; state/region poverty index, based on the Integrated Household Living Conditions Assessment, 2009/10; state/region per capita GDP, based on Planning Department estimates; state/region land area, based on the national population census, 2014; state/region urban population as a percentage of the total state population, based on the national population census, 2014; and per capita tax collection, based on the actual tax revenue collected in the previous fiscal year. For further information on how the formula is applied in

practice, see Shotton (forthcoming).

109. Under the Medium-Term Fiscal Framework (MTFF), the Union government has been moving toward a “rule-based” financing model, inspired by international best practice. The grant transfer mechanism has been reformed as part of the MTFF reforms. Since 2015/16, allocations to states and regions have been rule based, with a share of resources distributed through a formula.
110. Meeting with State Budget Department head.
111. Batcheler 2018.
112. Ibid.
113. In this state, the Budget Department was unaware that departmental allocations had been agreed, and that each department had already been informed of what they were to receive in the coming year.
114. Stotsky 2016.
115. Interview with state minister.
116. Interview with state minister.
117. Batcheler 2018.
118. Interviews with MPs.
119. Interviews with Planning Department officials.
120. Naw Betty Han 2018.
121. Interviews with Union-level officials.
122. Interview with Union-level officials.
123. Ibid.
124. Interviews with state/region hluttaw representatives and PAC members.
125. Batcheler 2018.
126. These figures do not include spending by state-owned enterprises.
127. In calculating per capita spending levels per departments, the “total” population varies depending on sector. For spending by the Ministry of Border Affairs, MOALI, MONREC, and by DRRD, the “total” population is calculated as the rural population of the township. For spending by DAOs, the “total” population is calculated as the urban population of the township. For spending by all other departments, the “total” population is the total population of the township.
128. This analysis utilizes The Asia Foundation’s Township Development Indicators (TDI) database. The database provides a rich repository of data at the township level, combining over 6,500 indicators across 11 categories.
129. A more detailed analysis of the relationship between expenditure and development indicators is provided in Shotton (forthcoming).
130. The TDI is a combination of three indices, Education, Standard of Living and Health, which are themselves a combination of several development indicators from the TDI. The index provides a score for each township, relative to the average of all townships in Myanmar,
131. The Education Index is a combination of the literacy rate, school enrolment, primary school attainment, and middle education attainment. It provides a score for each township, relative to the average of all townships across Myanmar.
132. State Peace and Development Council Law No. 16/2010.
133. Ministry of Planning and Finance, Notification 35/2017.
134. Batcheler 2018.
135. These figures do not include expenditure by state-owned enterprises.
136. Interviews with department officials, MPs and ministers.
137. Interviews with government officials and ministers.
138. For further information on how donor support can be conflict sensitive, see Burke et al. 2017.
139. South et al. 2018.
140. For further information on interim arrangements in Myanmar, see South et al. 2018.
141. State/region hluttaw interviewees and participants comprise hluttaw representatives, and a small number of hluttaw office staff, and technical support members of the hluttaw public accounts committees.
142. W/VTAs include a small number of 100- and 10-household heads, as well as village and village-tract committee members.
143. Others are composed of civil society organizations, nongovernment organizations, and international planning and budgeting experts.

REFERENCES

- A4EA. Forthcoming. *Political Trust in Fragile and Conflict-affected Areas of Myanmar: Implications for Good Governance and Peace-building*. Brighton: Action for Empowerment and Accountability Research Programme.
- The Ananda. 2019. Spending of Constituency Development Fund requires more citizen participation. <https://theananda.org/en/blog/view/constituency-fund>.
- Arnold, M., Ye Thu Aung, Kempel, S., and Kyi Pyar Chit Saw. 2015. *Municipal Governance in Myanmar: An Overview of Development Affairs Organizations*. Yangon: The Asia Foundation. <https://asiafoundation.org/publication/municipal-governance-in-myanmar/>.
- The Asia Foundation. 2014. *Myanmar 2014: Civic Knowledge and Values in a Changing Society*. <https://asiafoundation.org/resources/pdfs/MyanmarSurvey20141.pdf>.
- The Asia Foundation. 2018. *City Life Survey: Myanmar 2017 Pilot Initiative*. https://asiafoundation.org/wp-content/uploads/2018/06/CityLife-Survey-2017-English_27-June-2018.pdf.
- Batcheler, R. 2018. *State and Region Governments in Myanmar. New edition*. Yangon: The Asia Foundation.
- Burke, A., Williams, N., Barron P., Jolliffe, K., and Carr, T. 2017. *The Contested Areas of Myanmar: Subnational Conflict, Aid, and Development*. Yangon: The Asia Foundation.
- Department of Highways. 2016. "Current Situation and Future Plan of Infra Development in Myanmar." http://solutions.ait.ac.th/wp-content/uploads/2016/06/ZAW_Dev-Plan-in-Myanmar.pdf.
- Du Pont, P. 2019. *Decentralizing Power: The Role of State and Region Governments in Myanmar's Energy Sector*. Yangon: The Asia Foundation.
- Government of the Republic of the Union of Myanmar. 2016. National Strategy for Rural Water Supply, Sanitation and Hygiene (WASH), WASH in Schools and WASH in Health Facilities. <https://www.unicef.org/myanmar/media/1916/file/National%20Strategy%20for%20Rural%20Water%20Supply,%20Sanitation%20and%20Hygiene%20.pdf>.
- Government of the Republic of the Union of Myanmar. 2018a. UNDP Local Governance Programme, Township Development Grant, Standard Operating Procedures / Grant Manual.
- Government of the Republic of the Union of Myanmar. 2018b. National Community Driven Development Project, Operations Manual 2017/18. https://cdd.drdmyanmar.org/sites/cdd.drdmyanmar.org/files/documents/operation_manual_2017_18.pdf.
- Hossain, N., Khurana, N., Mohmand, S., Nazneen, S., Oosterom, M., Roberts, T., Santos, R., Shankland, A., and Schröder, P. 2018. *What Does Closing Civic Space Mean for Development? A Literature Review and Proposed Conceptual Framework*. IDS Working Paper 515, Brighton: IDS. <https://www.ids.ac.uk/publications/what-does-closing-civic-space-mean-for-development-a-literature-review-and-proposed-conceptual-framework-2/>
- International Budget Partnership. n.d. Why Budget Work. <https://www.internationalbudget.org/why-budget-work/>.
- Jolliffe, K. 2015. *Ethnic Armed Conflict and Territorial Administration in Myanmar*. Yangon: The Asia Foundation. <https://asiafoundation.org/resources/pdfs/ConflictTerritorialAdministrationfullreportENG.pdf>.

- Kyi Pyar Chit Saw and Arnold, M. 2014. *Administering the State in Myanmar: An Overview of the General Administration Department*. Yangon: The Asia Foundation. <https://asiafoundation.org/wp-content/uploads/2014/10/Administering-the-State-in-Myanmar.pdf>.
- Ministry of Agriculture, Livestock and Irrigation. 2017. "National Strategy for Rural Roads and Access."
- Ministry of Agriculture, Livestock and Irrigation, Department of Rural Development. 2017. Township Rural Development Strategy and Programme, Myanmar. <http://www.vdp.drdmyanmar.org/sites/default/files/Guidelines-TRDSP-10Aug17-v4.pdf>
- Ministry of Education. 2016. National Education Strategic Plan 2016-21: Summary. http://www.moe-st.gov.mm/wp-content/uploads/2018/01/NESP_20Summary_20-20English_20-20Final_20-20Feb_2023.pdf.
- Ministry of Health and Sports. 2016. "Myanmar National Health Plan 2017-2021." http://www.nationalplanningcycles.org/sites/default/files/planning_cycle_repository/myanmar/myanmar_national_health_plan_2017-2021_eng_.pdf.
- Ministry of Livestock, Fisheries and Rural Development, Department of Rural Development. 2015a. "Guidelines on Village Development Planning Process, Myanmar." <http://www.vdp.drdmyanmar.org/sites/default/files/VDP%20Guideline%20%28Eng%29%202015.pdf>
- Ministry of Livestock, Fisheries and Rural Development, Department of Rural Development. 2015b. "Manual for Formulation of a Village Development Plan, Myanmar." [http://drdmyanmar.org/documents/VDP%20Manual%20\(Eng\).pdf](http://drdmyanmar.org/documents/VDP%20Manual%20(Eng).pdf).
- Ministry of Planning and Finance. 2017. Regulations on Financial Management of Myanmar. Notification No. 35/2017. https://myanmar.gov.mm/documents/20143/9099620/Financial+Rules+and+Regulations_+English.pdf/4bc6f550-1328-0cd6-6eb1-298a427353a4.
- Ministry of Planning and Finance. 2018a. "Myanmar Sustainable Development Plan (2018 – 2030)." http://themimu.info/sites/themimu.info/files/documents/Core_Doc_Myanmar_Sustainable_Development_Plan_2018_-_2030_Aug2018.pdf.
- Ministry of Planning and Finance. 2018b. "Public Financial Management Reform Strategy."
- Myanmar Development Research and Kempel, S. 2012. *Village Institutions and Leadership in Myanmar: A View from Below*. Yangon: Enlightened Myanmar Research Foundation. <https://emref.org/en/publication/village-institutions-and-leadership-myanmar-view-below>.
- MyJustice. 2018. *Searching for Justice in the Law. Policy Brief*. https://www.myjusticemyanmar.org/sites/default/files/Policy%20Brief%20Final_English_0.pdf.
- Naw Betty Han. 2018. "Kayin residents fear coal plant may go ahead." *Myanmar Times*, April 9. <https://www.mmtimes.com/news/kayin-residents-fear-coal-plant-may-go-ahead.html>.
- New Myanmar Foundation. 2018. *Mandalay Municipal Election Report: Analysis on local municipal elections*.
- Nyein Nyein. 2018. "Tatmadaw Kills Indigenous Karen Community Leader, Local Groups Say." *The Irrawaddy*, April 9. <https://www.irrawaddy.com/news/burma/tatmadaw-kills-indigenous-karen-community-leader-local-groups-say.html>
- Pyidaungsu Hluttaw Law No. 9/2014. Development Fund Law.
- Pyidaungsu Hluttaw Law No. 14/2014. National Education Law.
- Pyidaungsu Hluttaw Joint Public Accounts Committee. 2019. The Joint Public Accounts Committee report on findings from the Office of the Union Auditor General's constituency development fund audit report for fiscal year 2017-18.

- Republic of the Union of Myanmar. 2010. Region or State Government Law. State Peace and Development Council Law No 16/2010 [English translation]. <http://asianlii.org/mm/legis/laws/rosglpadcln162010660.pdf>.
- Republic of the Union of Myanmar, Office of the President. 2013. Assignment of duty to form Township and Ward and Village Tract Development Support Committees. Presidential Notification No. 27/2013.
- Republic of the Union of Myanmar, Office of the President. 2016a. Order 11/2016.
- Republic of the Union of Myanmar, Office of the President. 2016b. Order 12/2016.
- Republic of the Union of Myanmar, Office of the President. 2016c. Order 13/2016.
- Republic of the Union of Myanmar, Office of the President. 2016d. Order 37/2016.
- Robertson, B., Joelene, C., and Dunn, L. 2015. **Local Development Funds in Myanmar: An Initial Review**. Subnational Government in Myanmar Discussion Paper No. 9. Yangon: MDRI CESD, Action Aid, and The Asia Foundation. https://asiafoundation.org/wp-content/uploads/2015/10/Local-Development-Funds-in-Myanmar_ENG.pdf.
- South, A., Schroeder, T., Jolliffe, K., Mi Kun Chan Non, Sa Shine, Kempel, S., Schroeder, A., and Naw Wah Shee Mu. 2018. **Between Ceasefires and Federalism: Exploring Interim Arrangements in the Myanmar Peace Process**. Yangon: Joint Peace Fund and Covenant Consult. https://www.themimu.info/sites/themimu.info/files/documents/Report_Between_Ceasefires_Federalism_-_Exploring_Interim_Arrangements_in_Peace_Process.pdf.
- Stotsky, J. 2016. **Gender Budgeting: Fiscal Context and Current Outcomes**. IMF Working Paper. Washington DC. International Monetary Fund.
- UNDP Myanmar. 2015a. **The State of Local Governance: Trends in Shan**. Yangon: United Nations Development Programme. http://www.mm.undp.org/content/myanmar/en/home/library/poverty/TheStateofLocalGovernanceChin/The_State
- UNDP Myanmar. 2015b. **The State of Local Governance: Trends in Myanmar; A Synthesis of People's Perspectives Across all States and Regions**. Yangon: United Nations Development Programme. https://www.mm.undp.org/content/dam/myanmar/docs/Publications/PovRedu/Local%20Governance%20Mapping/UNDP_MM%20State%20of%20Local%20Governance%20-%20Synthesis%20Report.pdf.
- Van Zyl, A. 2010. **What is Wrong with the Constituency Development Funds?** International Budget Partnership. Budget Brief Year 03 No.10. <https://www.internationalbudget.org/wp-content/uploads/2011/04/brief10.pdf>.



The Asia Foundation

The Asia Foundation is a nonprofit international development organization committed to improving lives across a dynamic and developing Asia. Working through our offices in 18 countries and informed by deep local expertise and six decades of experience, we address the critical issues affecting Asia in the 21st century by: strengthening governance, expanding economic opportunity, increasing environmental resilience, empowering women, and promoting international cooperation.

To request copies of the report, please contact country.myanmar.general@asiafoundation.org. We also welcome your feedback on the report.