

**Towards Governance Reform:
A Critical Review of Foreign Assistance to Burma¹**

Michael Paller

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ABSTRACT

Burma receives a paltry amount of foreign assistance. This is because donors rescinded aid and devised new policies strictly limiting cooperation with the Burmese government in response to the military's ruthless crackdown on protests in August 1988 and the junta's subsequent failure to establish democracy. The little assistance that remains is primarily humanitarian. Unfortunately, this response will not engender long-term human security nor is it the best way to elicit governance reforms, which are increasingly considered necessary for both aid effectiveness and sustainable development. Paradoxically, such reforms are also a prerequisite for assistance. This paper begins with the premise that carefully considered, attentively applied, closely monitored aid can be effective in eventually bringing about governance reforms in Burma. But what foreign assistance strategies are most likely to improve governance in Burma and why? In answering this question, this paper evaluates different strategies according to the principal recipient of aid. Such recipients include: the State Peace and Development Council; local government and the civil bureaucracy; international agencies (UN and INGOs); community-based organizations inside Burma; nongovernmental organization in exile; or nobody. Key findings point to mixed results. The links between governance reform and foreign aid are tenuous, even in theory, but certain strategies seem to be able to promote and even provoke change. The strategies that channel aid to the SPDC or no one are most unlikely to bring about such change; however engagement with the civil bureaucracy, international agencies, community-based organizations inside Burma and nongovernmental organizations in exile has produced results, albeit on a relatively small-scale.

Introduction

Whether driven by a virtuous sense of obligation or by an obscured desire to assert geopolitical influence, foreign aid appears to be a permanent feature of the development landscape. In striving to effect change, donors have adapted this foreign policy tool to achieve diverse objectives and in doing so they have produced equally diverse results. Though the intentions underpinning assistance are incredibly elusive, in the context of development some consensus has emerged: foreign aid has the potential to facilitate poverty reduction. The possibility of realizing this potential, however, hinges on a number of factors. Most prominently according to leading bilateral and multilateral aid agencies, is the policy environment in recipient countries (World Bank 1998). In particular, these agencies have identified good governance as essential, establishing the foundation upon which aid thrives. This realization has engendered a plethora of new foreign aid strategies, which include increased donor selectivity, incentive-based aid programs and targeted assistance to improve governance. In several cases such approaches have been successful; but many countries remain ineligible for this type of assistance, thus prompting an important question: how can donors move beyond the conditions that render these new approaches futile in certain states? This paper seeks to address this question by answering another: *what foreign assistance strategies are most likely to improve governance in Burma and why?* In doing so, the author first reviews historical trends and developments in foreign assistance, he then evaluates different strategies according to the principal recipient of aid, and he concludes with a discussion surrounding humanitarian and development aid requesting donors and stakeholders to move forward and constructively engage.

Indeed, Burma is an excellent case in Southeast Asia to examine as the country currently faces an ominous humanitarian crisis. The fact that most observers ascribe the root cause of this crisis to negligent leadership is an even more compelling reason to investigate the relationship between foreign aid and improved governance. Yet, Burma stands in a precarious position on the world stage. The military's harsh crackdown on protests in 1988 and its subsequent failure to recognize the outcome of the 1990 election are two matters that have entrenched this position, yielding isolation. The resulting political situation has incited scathing criticism from the world's most influential foreign policy maker, the United States. This criticism has culminated in sanctions, which have also been applied by other large donors from the European Community. The sanctions have disqualified Burma from receiving many traditional aid packages. In fact, foreign assistance to Burma used to average around \$400 million per year, whereas it now stands at a meager \$120 million per year (Igboemeka 2005: 8). Per capita, Burma receives less than \$3 per year; by comparison, Laos receives about \$50 per capita per year, and Cambodia receives roughly \$35 per capita per year (ICG 2006: 4). Nevertheless, carefully considered, attentively applied, closely monitored aid can be effective in eventually bringing about governance reforms in Burma.

Methodology

This qualitative study was carried out between June and September 2007. The author conducted interviews with key development actors in Rangoon, Burma and in Chiang Mai and Bangkok, Thailand. Such actors included representatives from bilateral aid agencies like the UK's Department for International Development (DFID); managers

of pooled donor resources like the newly initiated Three Diseases Fund (3D Fund); UN agencies such as the United Nations Development Program (UNDP), the United Nations Office for the Coordination of Humanitarian Affairs (UN OCHA); International Nongovernmental Organizations (INGOs) like Save the Children; local NGOs like the Capacity Building Initiative, and other independent observers.

Trends and Developments

The first objective of this paper is to analyze trends in development and humanitarian assistance with an emphasis on how those trends are followed in Burma. Historically, three time periods are important to consider: 1945 – 1961, 1962 – 1972, and 1973 – 1988. Each of these periods corresponds to a significant phase in Burma's political development and exemplifies the country's ever-changing policies to foreign assistance. Likewise, each period reflects distinctive donor policies. Ruminating these trends reveals the importance of security and economic growth.

Between 1945 and 1962 Burma faithfully followed the trends of foreign aid. The government embarked on a plan of state-led infrastructure development for economic growth. With regards to assistance, Burma was weary of accepting aid that would lead to dependence and neutrality served as the government's guiding principle in relations with both the United States and the Soviet Union (Thomson 1957: 272). However, the government effectively played the politics of the Cold War and accepted aid from each side (Wolf 1960). Burma's commitment to neutrality was tested several times but the government was steadfast. For example, Burma renounced U.S. aid in response to

perceived American support for Chinese Nationalist troops and also made sure not to accept outright “gifts” from the Soviets (Wolf 1960: 270).

The second period begins with one of the most pivotal transformations in Burma’s history. In 1962 General Ne Win ousted the elected government and established a new state order under the military-dominated Burma Socialist Programme Party (BSPP). The new Revolutionary Government’s preoccupation with radical neutrality and self-sufficiency induced extreme isolation (Butwell 1972). Invoking the ‘Burmese Way to Socialism’ Ne Win’s government refused foreign investment and most new aid, though some exceptions like Japan’s war reparations managed to slip through. In fact, Japan pledged an additional \$131.5 million (on top of its initial \$250 million) to Burma (Seekins 1992: 249). Despite accepting Japan’s aid, during this period Burma severely deviated from popular paths.

In 1973 Burma radically transformed its policies and for the first time in over a decade invited foreign aid; that same year Burma joined the ADB (Khin Maung Nyunt 1990: 149). The government decided to abandon the defunct ‘Burmese Way to Socialism,’ and with this economic overhaul, now actively sought out financial support. In accordance with the times, Burma began instituting reforms. New fiscal and monetary policies allowed the government to seek out aid. At first assistance trickled in, but soon that trickle turned into a heavy stream. In 1974 Burma received \$65.4 million in assistance from OECD countries and multilateral agencies; by 1979 that aid increased to \$581.1 million (OECD in Khin Maung Nyunt 1990). This period witnessed the declining influence of China and the Soviet Union due to the ascendancy of bilateral aid from OECD countries, particularly Japan. Also, multilateral agencies provided a tremendous

amount of assistance during this period and formed groups to explore solutions to economic problems—like the World Bank’s Burma Aid Group. During the final period discussed aid trends moved from a focus on basic needs to macroeconomic liberalization. Unfortunately, the Burmese government’s attempts to liberalize the economy produced little formative economic growth.

Strategies Typology

In the first three periods outlined above, aid was not dictated by whether or not dictators ruled. But now the growing prominence of human rights and governance inform trends in foreign assistance. Over the last fifty years donors have learned some lessons and adjusted their strategies to reflect new thinking about development. This brings us to the second objective, which is to determine the conditions necessary for implementing assistance strategies for governance reforms in Burma.

The following typology was created for the purpose of this paper; in it foreign assistance strategies are categorized according to the principal recipient of aid because this is one of the primary factors distinguishing donor policies. In Burma, unlike many other developing countries that receive aid, the question of whom to provide assistance has eclipsed other concerns. Donors deliberate for long periods of time before deciding to provide funding inside Burma. One reason for such long deliberation relates to the deeply politicized context surrounding assistance to countries with poor governance/human rights records. Additional factors distinguishing strategies are also important and include how, when, and what type of aid is provided. These additional

factors underscore issues of conditionality, selectivity, donor coordination, quantity of aid, and tactical timing.

Accordingly, there are numerous actors and agencies receiving aid. Few donors provide funding directly to the central government; in fact, most have decided to circumvent the regime entirely. Furthermore, the question of principal recipient is the most critical consideration of other stakeholders and is perhaps the most contested issue surrounding aid provision to Burma. Assistance can be provided to:

- The State Peace and Development Council
- Local government and the civil bureaucracy
- International agencies (UN and INGOs)
- Community-based organizations inside Burma
- Nongovernmental organization in exile
- Nobody (no aid)

Direct assistance to the SPDC is associated with pro-engagement strategies and anti-sanctions policy. Furthermore, direct assistance is usually associated with Burma's strategic geopolitical position, which has always been important when it comes to donor decisions to provide aid. The Burmese regime has effectively undermined donors' efforts, first by limiting the space within which such providers are able to operate and second by audaciously rejecting recommendations for reform (Igboemeka 2005: 14).

Working with the civil bureaucracy is not the same as working directly with the military government. It is impossible to completely avoid the military, but it is not impossible to provide support to local authorities and the civil bureaucracy in an effective way. Examples in health and education show that increased assistance can contribute to governance reforms in government effectiveness and aid effectiveness with regards to alignment.

As a result of regular constructive engagement with the Ministry of Health, the government has acknowledged the severity of the HIV/AIDS crisis (Personal communication with Markus Buhler, UNAIDS, Rangoon, August 8, 2007). Policy changes have yielded outcomes, too. In 2002 only 800 people voluntarily had HIV tests whereas in 2005 roughly 160,000 people took such tests (Personal communication with Rurik Marsden, DFID, Rangoon, August 6, 2007). Also, new policies on harm reduction amongst IV drug users have been introduced leading to a proliferation in needle exchange programs. In 2002 there were only 100,000 needles exchanged, while in 2005 there were 1.1 million. And favorable policies on condoms have led to creative safe sex campaigns and increased condom usage amongst the whole population (Stallworthy 2005).

Furthermore, the quality of policy formulation has improved. This is reflected in the Ministry of Health's new National Strategic Plan on HIV/AIDS. The plan was "developed using participatory processes with direct involvement of all sectors involved in the national response to the HIV epidemic...a National Consensus Workshop [was held] in May 2006, with participation of more than 100 key partners" (Ministry of Health-Myanmar 2006: 11). Those partners included several government ministries, UN agencies, local and international NGOs, people living with HIV, and vulnerable populations such as sex workers, IV drug users, and men who have sex with men. The fact that the Ministry of Health invited so many partners to join the strategic planning meeting should not be understated.

Aside from funding the two aforementioned government or government-linked recipients donors support INGOs and international agencies. These organizations work

in a number of different capacities, addressing issues such as health, human rights, and education. Many bilateral aid agencies fund these organizations because of their proven capacity to work independently and effectively. In a 2007 report, the UK parliament commends DFID for funding INGOs like Save the Children for improving access to basic education. The report further recommends increased funding for these INGOs because of their unique ability to reach internally displaced people. Despite restricted humanitarian space, INGOs are capable of providing desperately needed social services.

Moreover, INGOs serve a stabilizing function. The mere existence of these organizations is positive, as they provide options for the people and a link to the outside world. They have helped lay the foundation for improvements in two of the World Bank's governance dimensions: Voice and Accountability and Control of Corruption. If they leave, it means that Burma is out of their reach—and this is out of the question. It is true that many of them must balance their politics with their objectives, but careful and steady engagement is necessary. Without foreign aid to these organizations, certain projects would never be implemented, so they cannot give up. They need to show commitment and courage to continue.

Another group of recipients include community-based organizations and local NGOs. These organizations represent a growing civil society in Burma and further assistance can help them flourish. The World Bank's 1998 seminal report assessing aid effectiveness encourages donors to support these organizations in cases where the government fails to provide supportive policies and effective services. There is no doubt that civil society in Burma is stifled, but donors find it increasingly important to find ways to help local organizations thrive (Steinberg 2004). One reason donors aspire to

fund these organizations is because they are most closely aligned with the intended beneficiaries of assistance and usually have quite good working relationships with decentralized authorities.

Aside from recipients inside Burma, some donors choose to fund NGOs in exile. There is a great deal of misconception about these organizations. Critics accuse them of curtailing aid while proponents believe they are the only worthy recipients (International Crisis Group 2006). Indeed, such organizations have influenced policies to reduce assistance, but they have also played an essential capacity building role (Burma Campaign UK 2006). Moreover, many donors believe that NGOs in exile can reach severely marginalized people, as they are some of the only groups working on cross-border humanitarian missions. For example, the Back Pack Health Worker Teams (BPHWT), Mae Tao Clinic and the Burma Medical Association all provide such cross border healthcare services. Moreover, these NGOs produce vital information about pressing issues such as child soldiers, rape, and forced labor for international advocates (DFID 2007). They have successfully advocated for conflict resolution, thus impacting the World Bank's second governance dimension: Political Stability and Absence of Violence.

The final strategy relates to the absence of aid. Both the World Bank and the Asia Development Bank stopped lending programs and grants to Burma in the mid-1980s (ADB 2000). Furthermore, many INGOs have chosen not to work inside the country. In fact, compared with other developing countries there are relatively few INGOs working inside Burma. Guy Stallworthy of Population Services International underscores this contrast, "The 41 INGOs [2005 figures] in Burma/Myanmar have a total budget of

around \$30 million. By comparison, Nepal, with half the population, has about 275 INGOs with a budget of \$175 million. Cambodia, with a population of just 15 million, has about 115 INGOs with a budget of \$110 million. These are countries with similar levels of per capita income and socio-economic indicators. Yet on a per capita basis their level of INGO activity is 8 -10 times greater than that of Burma/Myanmar” (Stallworthy 2005). The dearth of INGOs could be explained in part by selectivity. INGOs, like bilateral and multilateral aid agencies, choose to work where they believe their work will be effective. In choosing not to work in Burma, these organizations are making a strong statement: there are too few opportunities to have a positive impact. Is there potential for assistance to no one to spur change? As of yet, there is very little evidence that the regime is willing to make trade-offs, but it is too early to tell whether or not this strategy is entirely ineffective in bringing about reforms.

Perspectives: Humanitarian aid vs. Development aid

The third objective of this paper is to evaluate development actors’ and organizations’ perspectives on development assistance to Burma, with particular consideration of governance reform. Evaluating the situation in Burma requires stepping back and realizing that a host of different problems afflict the country; these include economic mismanagement, political instability, conflict, and an overall lack of transparency and accountability within central and local government structures (Personal communication with UN OCHA official, Bangkok, July 27, 2007). Problems have converged, amplifying complexities and confounding those seeking solutions. Without realizing this crucial fact, it is very difficult to move forward with a lucid analysis. In

fact, most analyses are confused and have produced impractical responses to Burma's many problems. The impending humanitarian crisis and the responses to counter it are examples of how a narrow examination of Burma's troubles fails to engender sufficient solutions (Personal communication with UN OCHA official, Bangkok, July 27, 2007).

The little development work that is being funded by the international community is usually masked behind humanitarian rhetoric. Donors use this language because of the complicated political situation. The fact that development minded programs have a humanitarian twist is not necessarily bad, but donors need to move beyond charity. Charity cannot suffice for long-term sustainable programming nor is it the best way to elicit governance reforms (Personal communication with Mae Ohn Nyunt We, Save the Children, Rangoon, August 8, 2007). The donor community is "caught in the discussion of a humanitarian response" (Personal communication with Markus Buhler, UNAIDS, Rangoon, August 8, 2007). Many activists in exile and constituents from donor countries oppose development aid to Burma. But, this is problematic because the situation necessitates a development approach. The actual feasibility of encouraging governance reforms hinges on more development assistance. Without a development focus, INGOs can only go so far in making improvements.

Another reason assistance is limited to humanitarian activities is the fact that there is limited space for agencies to work. Nevertheless, such space is expanding. It is a very difficult to gauge this expansion because there are contradicting signs that indicate contraction at the same time. There are areas in which some international agencies and local NGOs have been dealt tremendous setbacks. The International Committee for the Red Cross, the International Labor Organization, the Global Fund to Fight HIV/AIDS,

Tuberculosis and Malaria and Médecins Sans Frontières-France have all encountered considerable restrictions, leading in some instances to project termination (U.S. Government Accountability Office 2007). It is important not to get completely bogged down by the setbacks though. If taken at face value one would conclude that development programs are bound to fail. Such a conclusion is unconstructive and potentially pernicious. Other agencies like Save the Children and UNICEF, working on issues like child rights and trafficking have actually made significant advances.

Expansion indicates that reforms are possible. In fact, the expansion itself is a sign of reform. UN agencies and INGOs have the chance to lead by example, paving the way for new and better practices. A good legacy could positively shape local administrative structures. Of course the opposite is also true and donors need to be cautious.

Moving Forward

The underlying assumption about good governance, namely that democracy is a precondition for change, is not being challenged. Capacity building initiatives must begin now for genuine development to occur. Some programs have started, but they are few and far between. Moreover, these programs are limited to a select group of actors, who may not be capable of instituting lasting transformation. Take the UNDP for example; in most countries the agency's primary role is to hold high-level policy dialogue with governments, usually to address governance reform. Its mandate in Burma prohibits such dialogue with the regime, practically turning the agency into a huge grassroots NGO (UNDP 2007). The absence of policy dialogue could be devastating

and potentially jeopardize the feasibility of implementing assistance strategies for governance reforms in Burma, at least at the macro level.

Constructive engagement with all stakeholders is needed, not necessarily funding. Engagement is needed with the central government, local authorities and the civil bureaucracy, international agencies, community-based organizations inside, and nongovernmental organizations in exile. Lack of engagement only stunts the potential for change. Burma needs a mini-Marshall Plan. The international community must start addressing Burma's *development* problems now. But, just because responses must come quick does not mean that changes will be equally sudden. One of the first things to understand is that it will take time for change.

It is difficult to authoritatively say how long it will be before changes gain momentum. However, some relevant points emphasized in this paper should be considered. First of all, donors are not coordinated—the typology of strategies clearly shows that some donors completely contradict one another. Certain donors are not concerned with good governance while others are completely preoccupied by it. Second, the SPDC and the civil bureaucracy send mixed signals to the donor community. For example, the SPDC continues to restrict international agencies from accessing remote areas, while the Ministry of Health continues to solicit the same agencies to assist them reach marginalized populations (usually marginalized populations live in remote areas!).

Change is possible

If one denies the very possibility for change, then foreign assistance strategies are not even worth considering. DFID's 2004 Burma Strategy Paper asserts, "Patient

advocacy by NGOs and the UN on specific issues such as voluntary HIV/AIDS testing has been successful at changing the State Peace and Development Council's (SPDC) policy. Change is achievable in the medium to long term if the case for change is presented in a way that both demonstrates the benefits for the people and does not challenge the SPDC. The international community should continue to push for concrete change to policies and practices of the SPDC that affect the poor" (UK Department for International Development 2004: 8). The potential for policy change is directly related to the potential for governance reform. Governance reforms are possible with continued "patient advocacy," too. These changes are also possible in the "medium to long term." which means that they are possible under the current regime. Certainly, reforms can be initiated under any political system.

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