

BTI 2016 | Myanmar Country Report

Status Index	1-10	2.98	# 118 of 129	
Political Transformation	1-10	3.20	# 115 of 129	➔
Economic Transformation	1-10	2.75	# 122 of 129	↗
Management Index	1-10	4.18	# 90 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	53.4	HDI	0.524	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	0.9	HDI rank of 187	150	Gini Index	-
Life expectancy	years	65.1	UN Education Index	0.371	Poverty ³	% -
Urban population	%	33.6	Gender inequality ²	0.430	Aid per capita \$	74.3

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

Executive Summary

Myanmar is undergoing historic transformation. After 50 years of military rule, six decades of civil wars and estrangement from the international community, the country has since 2011 embarked on a process of economic and political reform. The process has been initiated by the military and is meant to lead to a recalibration of domestic and external relations.

The evolving picture is ambivalent. On the one hand, the country has made progress towards democratization in a number of crucial areas, such as the release of (nearly all) political prisoners, freedom of the press, a reconciliation with the main opposition party, the enactment of new legislation on freedom of movement and association, and the opening of political spaces for the participation of NGOs and interest groups. On the other hand, one has to concede that these reforms are far from unilinear and have included some negative developments: The new legislation on freedom of assembly is used to stifle protest, existing (older) laws still curtail press freedom, and journalists fear jail sentences when reporting about corruption cases or state secrets. Civil society activists who are engaged in protests against land grabbing and environmental damage still face the danger of arbitrary arrest. The government and parliament sometimes conducts an ultranationalist-Buddhist discourse, which targets the Rohingyas in Western Myanmar, who are denied citizenship, politically disenfranchised and socially discriminated. The country's opposition and civil society has pushed for far reaching constitutional reforms, including a repositioning of the country's dominant military. Yet, the military has used its veto-power to curtail far-reaching reforms.

One reason for this might be the ongoing peace-process with the country's ethnic groups. Although the President managed to sign ceasefires with almost all ethnic groups (except for two) and has promised a political solution to the ethnic minority problem, a nationwide ceasefire has been awaited since January 2015. After the government's peace team and the ethnic armies' representatives met a few dozen times, some consensus was reached, but final agreement on the most pressing issues has not yet been reached. Whereas the ethnic armies demand the

establishment of a federal army, the military insists on a unified force. Military clashes between the Burmese military and ethnic armies in Kachin State, and the Palaung (Ta'ang) and Kokang areas complicate the situation. Ethnic minorities question the military's commitment to both peace and the reform process.

Myanmar has witnessed per average 7% growth in recent years, which can be attributed to the country's economic reforms, such as floating the currency and liberalizing foreign trade. Foreign investment has surged and more and more tourists visit the country. Continuous growth is hampered by corruption, a weak infrastructure and a low level of education, as well as an inadequate banking system and protectionist measures undertaken by entrepreneurs.

History and Characteristics of Transformation

Before the current government came into power in March 2011 and started to liberalize the regime, Myanmar was ruled by the military for more than five decades. The legacies of authoritarian rule are profound, the influence of the military pervasive. After General Ne Win seized power in a putsch on 2 March 1962 and toppled the elected government of U Nu, he became leader of the Revolutionary Council, which ruled the country by fiat until 1974. The 1962 military coup ended the short-lived democratic experiment, which was characterized by political instability and rising armed revolts. Myanmar has been facing secessionist insurgencies on its periphery since independence from Great Britain in 1948. The Communist Party of Burma (CPB) went underground in January 1948, the Karen National Union (KNU) fought for independence since 1949, and a few smaller armed ethnic groups followed suit. Other ethnic groups followed in the early 1960s, after the U Nu government attempted to make Buddhism the state religion. The military under General Ne Win stepped in to hold the country together by force. The result was a decade-long conflict between ethnic armies and the military, which in parts of the country (Kachin-State, Shan State) is ongoing at the time of writing.

After coming to power in 1962, the Revolutionary Council under General Ne Win started to implement economic policies that had disastrous consequences for the economy, so that by the 1980s, the once resource-rich country had become one of the world's least developed ones. Ne Win embarked on what he termed the "Burmese Way to Socialism", isolating the country and nationalizing all private enterprises. The socialist-military regime remained largely unchallenged until 1988, when growing economic turmoil led to a nationwide uprising and mass demonstrations. The military stepped in, imposing martial law and annulling the 1974 constitution. Approximately 3000 people were killed in the crackdown on 18 September 1988, and a new junta took over. Surprisingly, the new junta promised to hold free elections, which took place in May 1990 and resulted in a landslide victory for the National League for Democracy (NLD), under the leadership of Aung San Suu Kyi. Although she was placed under house arrest during the election campaign,

her party won easily more than 80 per cent of the seats. Despite the clear results, the military refused to hand over power until 2011.

Military rule has been heavily contested in the last two decades. Acting as a caretaker government, the military argued that the country was lacking a constitution to transfer power. Two decades of confrontations between the military, the NLD, ethnic groups and the junta followed, and the Western countries that supported the opposition's call for an acknowledgement of the 1990 election results introduced a number of punitive economic sanctions. Western investors hesitated to provide capital for the country, whereas Asian neighbors invested heavily in its resource sector. The regime did not show any signs of internal fissures, and the military countered every challenge to its rule with a considerable degree of repression. As a consequence, there were a high number of political prisoners as well as cases of serious human rights abuses. Aung San Suu Kyi spent more than 16 of the past 24 years under house arrest.

Consequently, the military began to orchestrate the transition to civilian rule from a position of strength. It built up institutions that secured its involvement in both executive and legislative affairs. Under the leadership of Senior General Than Shwe, the National Convention, which had begun in 1993 and come to a halt in 1996, reconvened to write a new constitution, which ensured that the military continues to play a leading role in political affairs. In the multi-party elections that followed in November 2010, the military fielded its own proxy party, the Union Solidarity and Development Party (USDP), which managed to win 76.5% of the seats across all levels of Parliament. The result mirrors the unfair playing field, since the USDP enjoyed financial support from the regime. Many leading generals had joined the new party. The NLD boycotted the elections due to unfair election laws. However, some 37 parties participated, including many formed by ethnic groups. After Parliament convened in February 2011, it elected former Prime Minister Thein Sein of the military government to President, and in March 2011, the junta dissolved.

After coming into office, Thein Sein steered the country towards liberalization. During his first term, Thein Sein initiated political, socio-economic and administrative reforms. He released more than 1000 political prisoners and started a reconciliation with the NLD and Aung San Suu Kyi. He eased censorship, proposed new laws on Freedom of Association and the Formation of Trade Unions. This liberalization has allowed the country to recalibrate its foreign relations. Most of the western states have withdrawn many of their sanctions.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

The state's monopoly on the use of force is established in the Burmese heartland and in growing parts of the ethnic minority areas. In recent years, the Burmese Army could gain more extensive control over some areas in northern Shan-State and Kachin State. However, some areas at the border to China and Thailand are still controlled by armed ethnic groups. Some of the biggest armed groups, the United Wa State Army (UWSA) and the Kachin Independence Army (KIA) still control considerable terrains, the former in Shan State and the latter in Kachin State. The KIA is still fighting against the Burmese army, since the ceasefire signed in 1994 broke down in June 2011. The Burmese Army has relaunched several military operations against the KIA in 2013 and 2014 - despite ongoing peace negotiations with the central government. Other ethnic groups have lost their former "liberated areas" to the Burmese Army long ago and signed "gentlemen agreements" with the former military regime. The current government has renewed these ceasefire agreements with 13 armed groups in 2011/2012. The ceasefires allow them to administer these regions and define codes of conduct for the army to enter their territory. Some of these ethnic armies try to win back their territories like the Kokang (National Democratic Alliance Army), who attacked army outposts in February 2015 and tried to recapture its former controlled area in Laukkai township. However, it was pushed back by the Myanmar army.

Monopoly on the
use of force
4

The official concept of the Myanmar nation state, which revolves around Buddhism, the Burmese language and Burmese ethnicity, is shared and supported by the majority of the population. However, most ethnic minority groups living in the 7 states and regions do not support or openly reject the conception of the state. They feel openly discriminated against in cultural, social and political terms. Since the regions lag behind economically, they also feel that the state has not done enough for their wellbeing. These feelings are products of decades of discrimination. During the reform period, the whole state conception has been subject to intense debate. For

State identity
3

instance, while the state has banned the teaching of ethnic minority languages for five decades, it has allowed ethnic languages to be taught since July 2014. Politically, a debate about federalism or some form of power-sharing is already underway. It can be assumed that the peace process of President Thein Sein will usher a political dialogue with a redefined state concept. These changes will most likely benefit those considered legitimate citizens of the country.

The 1982 Citizenship Law recognizes three kinds of citizens: full citizens, associate citizens, and naturalized citizens. Full citizenship is given to those groups whose ancestors lived in the country before British colonialization (1823) – or who are members of one of Myanmar's more than 130 recognized national ethnic groups. Associate Citizens are those who have applied for citizenship before independence. Naturalization is only possible for children with at least one parent a Myanmar citizen, or those who have lived in Myanmar for more than three generations. The law denies citizenship for particular groups that did not settle in Myanmar at the time of independence. Harsh citizenship rules apply to the Muslim Rohingya, who live in western Rakhine-State at the border to Bangladesh. The government denies them citizenship because it considers them relatively recent migrants from Bangladesh – although some Rohingya trace their ancestry back to before independence and even British colonization. The Rohingya issue led to severe cases of interreligious clashes in June/July 2012 and further sporadic outbreaks of violence since then.

Chinese and Indians have also been denied citizenship, even if their parents were born in Myanmar. However, they have been given a status similar to that of a permanent resident, although some Chinese have obtained citizenship through bribery.

Myanmar is officially a secular state. However, since Buddhism and national identity have become deeply intertwined in the dominant national narrative, many see the state and religion as inseparable and interdependent. Many political decisions are influenced by Buddhism. For instance, a promotion within the Burmese Army is influenced by whether one is a Buddhist or not, although that is not the official doctrine. Most Christian and Muslim officers have not been promoted beyond the military's middle ranks. Also, the religious ministry in practice promotes the Buddhist religion only, encouraging the construction of Buddhist pagodas in ethnic states with a significant Christian population and discouraging or obstructing the building of churches and mosques. One of the most important developments in the last two years has been the resurgence of Buddhist nationalism. Groups have emerged which try to protect Buddhism and call for violence against Muslims. Political parties have taken up these issues as well. Consequently, parliament is currently debating four bills to protect "Nation, Race and Religion". These bills restrict polygamy and restrict interfaith marriage.

No interference of
religious dogmas

7

The state's administrative system covers central Myanmar, but is weak beyond the heartland and in the areas of the ethnic states, self-governed by ethnic minorities, non-existent. Official tax authorities cannot reach many villages in central Myanmar and some of these lack services such as communication, transportation and basic infrastructure (water, education and health), as do many villages in the ethnic minority regions. An estimated 77% of the population is without access to sanitation facilities and 86% without access to safe drinking water. In ethnic states, the situation is much worse. With the financial and technical assistance and support from international developmental agencies and western governments, the Burmese government has begun to introduce reforms since 2011 which would, if successfully implemented, help to recreate the administrative capacities and strengthen the weak public infrastructure. In addition, with the introduction of regional governments and parliaments - though the military still exercise important veto power - a process of recreating much needed administrative capacities at the local levels has also begun to take shape.

Basic
administration
3

2 | Political Participation

Myanmar is preparing for its second general elections in half a decade. The first elections for both houses of national parliament and regional assemblies on 7 November 2010 were generally seen as unfair, since many regulations benefited the regime party (USDP) and prevented opposition parties from registering or recruiting candidates on a nationwide basis. Other irregularities worked in favor of the regime party. Two years later, the by-elections that were held to fill 45 vacant parliamentary seats were generally seen as an important credibility test of the reform will of President Thein Sein and consequently took place in a completely different atmosphere. They resulted in a victory for the oppositional NLD, which won 43 seats and, although there were irregularities such as false voter lists and attempts by the incumbent party to use state funds, they were generally seen by internal and external observers as free and fair. Despite limited political significance, given the small number of seats on offer, these elections were of high symbolic importance. In 2014, the election commission cancelled by-elections to fill 35 vacant seats, citing lack of time for preparation and lack of political significance as main reasons. The cancellation of the by-elections and comments by President Thein Sein have nurtured discussions that the 2015 elections might be postponed if national ceasefire was not called. However, President Thein Sein has repeatedly promised that free and fair elections will be held in October or November 2015.

Free and fair
elections
4

Elected governments have limited power to govern. Though the parliament elected in November 2010 and the president have played a major role in the reform process, their power to govern and initiate major changes is limited by military prerogatives. According to the constitution, the military participates in the "national leadership of

Effective power to
govern
3

the state”. This role is carried out through a powerful body, the National Defense and Security Council (NDSC) - a body with 11 members, in which the military holds the majority. This body is used strategically and acts in secrecy to steer border policy and the peace process. In 2012, it also has been used to block the reform initiatives of the president. However, it did not intervene in economic decision making or social policy. The military also uses its channels in parliament and the government to influence policies. Military representatives make up a quarter of the country’s state and regional parliaments. The military’s representatives have not blocked the liberalization or voted against it. However, since 75% of approval in parliament is needed to change the constitution (for certain articles), the military could use their veto power to block changes for constitutional reform successfully. The military has spoken out against changing Article 59f - the Aung San Suu Kyi Article - which prohibits Aung San Suu Kyi from taking up presidency. Moreover, the military has also successfully vetoed any changes of Article 436, which lays down how the constitution may be changed.

The 2008 constitution does allow freedom of association and assembly, but only as long as the exercise of these laws does not contravene existing security laws. As part of the broader reform agenda, Thein Sein signed a new law on freedom of assembly in December 2011, which allows for peaceful demonstrations, but only under tight conditions. Organizers must get the permission of authorities five days in advance and provide the time, place and reasons for protest. The law carries a penalty of one year of imprisonment for staging protests without permission. Due to the pressure of democratic forces in parliament, the “Peaceful Assembly Law” has been amended in March 2014. It now requires the consent of the authorities, which do not have the right to deny these permissions. The penalty has been reduced from one year to six months.

Association /
assembly rights
4

Despite such restrictions, freedom of assembly and association have clearly expanded in recent years. Both the oppositional NLD and civil society groups have made use of this widened public space to organize protests and assemblies in favor of constitutional change.

Despite these achievements, local authorities also often use the law to stifle public protest. Authorities have targeted activists, farmers, workers and those organizing around issues including land ownership and land rights.

The last three years have seen a remarkable relaxation of internet and media controls in Myanmar, along with a steady increase in press freedom. In 2014, Reporters without Borders listed Myanmar as 145th out of 179 countries; prior to that, the country was ranked 151st (2013), 169th (2012) and 174th (2011). Internet control and censorship were relaxed in 2011, when the government lifted restrictions on certain international and independent news Web sites.

Freedom of
expression
5

In August 2012, the government proclaimed a complete end to prepublication censorship and the dissolution of the Press Scrutiny and Registration Division. The abolishment of official press censorship, the ease of repression against journalists and the release of journalists from jail have created a remarkably different climate for the media. These reforms have also allowed the country's media associations to create a lobby in favor of press freedom.

However, parallel to this, conservative bureaucrats within the Ministry of Information exhibited a constant resistance to this opening. The ministry has tried to regain certain powers and has attempted to once again curb press freedom in recent years. Some of these attempts have failed, since local journalists have successfully lobbied against any form of new censorship.

Despite this progress, there are also older laws and guidelines which call for prison sentences for those who disseminate certain types of information that are perceived to pose a threat to national security, domestic tranquility or racial harmony, including reports about corruption or ethnic politics, or a negative portrayal of the government. The government has used its powers to suspend press freedom in recent years, whenever it felt these rules to be violated. For instance, in July 2012 the magazines *The Voice* and *Envoy* were suspended for reporting on a possible cabinet change. In June 2013, the government banned an issue of *TIME* after it reported critically on the Buddhist 969 movement – the story had triggered protests by nationalist monks. In February 2014, the government arrested five journalists and banned the privately owned *Unity Journal* for “disclosing state secrets” – it had published a story on the construction of a chemical weapons factory in central Myanmar. The reporters were sentenced to 10 years in jail based on the 1923 State Secrets Act – the sentence later was reduced to 7 years. All this indicates that a free press which can act as the fourth estate is, for now, all but present.

3 | Rule of Law

Since Myanmar has been ruled directly by the military junta for more than 2 decades, there was no formal separation of powers in place until 2011. The 2008 constitution recognizes a limited form of separation of powers. The system of checks and balances, however, is nascent at best, and often personalities trump institutions. The constitution grants the executive particularly broad powers, since the president has the exclusive or primary right to nominate most senior union officials (Supreme Court justices, the attorney general and one third of members of the Constitutional Tribunal). Under the leadership of Thura Shwe Mann, however, parliament has matured in the last five years: it increasingly has held members of the government accountable. For instance, in one case the Minister for Agriculture and Irrigation, U Myint Hlaing, was forced to apologize in parliament for being quoted by the press as

Separation of
powers

4

calling the MPs uneducated and ill-informed after they significantly cut the 2012/2013 budget.

There have also been conflicts between the president and the parliament. In 2012, both sides disagreed about the status of parliamentary committees and commissions and their ability to question government ministers. The president asked the Constitutional Tribunal, which has the responsibility for deciding disputes related to the allocations of the powers as well as the interpretation of the constitution, to decide the case. When the Constitutional Tribunal decided that that parliamentary commissions and committees were no “national” bodies and had limited power to summon government ministries for questioning, the Parliament initiated the impeachment of the nine members of the constitutional tribunal. Although the government appointed nine new members in February 2013, the Tribunal has not received any petitions until early 2015.

Moreover, parliament also amended the constitutional tribunal law, which gives parliament more power to challenge the tribunal’s decisions and greater input on the appointment of its chairman, who in turn is required to report back to legislators. While this episode might be a sign of a more confident parliament vis-à-vis the president, it also seriously undermined the incipient, weak independence of the judiciary.

The 2008 constitution guarantees judicial independence and impartiality of the judiciary. However, decades of authoritarian rule have systematically weakened Myanmar’s judiciary and compromised the independence of its legal system. During the current transformation, Myanmar faces demands from businesses and civil society to ensure its courts instill the rule of law, protecting the interests of the former and the rights of the latter. The Supreme Court, for instance, has started to recognize its role and cautiously asserts independence. The Office of the Supreme Court, as part of a constitutional review process, submitted a letter to the president of the national (‘Union’) Parliament to examine the independence of the judiciary. In doing so, the Supreme Court has asserted that Myanmar’s constitution, laws and policies must ensure judicial independence from other branches of government. This first step was almost unimaginable under the military regime. Also lower levels are showing more assertiveness. In 2014, a District Court in Dawei has accepted a civil lawsuit against the Myanmar Ministry of Mines and its joint venture partner Myanmar Pongpipat Company Ltd. for damages caused by pollution from the Heinda mine. Previously, the executive discouraged local courts from hearing cases against the government ministries or their commercial operations. This case can act as a litmus test for the legitimacy and independence and legitimacy of the judiciary.

Despite these small steps of progress, the challenges for the judicial system are immense. A lack of facilities and resources as well as a legal education system deliberately undermined for three generations have left their mark on the judicial

Independent
judiciary

3

system. The courts are not yet independent and the executive maintains strong influence within the judicial system.

In a report from December 2014, the International Commission of Jurists found that corruption is still widespread in the country and also pervades the legal sector, eroding the public perception of judicial integrity. Over the past three years a judicial committee in Myanmar's parliament has received more than 10.000 complaints about the disfunctions of the legal sector, most of them related to alleged corruption.

Prosecution of
office abuse
2

Although the fight against corruption has been intensified under reformist President Thein Sein, corruption is endemic. Despite initial successes, visible in the sacking of high government figures, corruption is a problem. In June 2014, President Thein Sein exchanged religious Minister Hsan Hsint, who has been accused of misusing 10 Million Kyats (\$10.000) from the state budget for his own family business. He was sentenced to 3 years in jail in October 2014. In December the President admitted that bribery and corruption are "chronic" in the country's civil service.

Even though parliament passed a new anti-corruption law and an Anti-Corruption Commission was setup in 2013, the commission is largely staffed and chaired by former military officers and members of the ruling party, which raises concerns about the autonomy and effectiveness of this new institution.

Myanmar's human rights situation remains problematic, although the country has seen significant progress in recent years. The president has released a high number of political prisoners during his first years in office, so that the presidential office at the end of 2013 declared that Myanmar has no political prisoners anymore. However, in stark contrast to this, critics point to the increasing number of arrests of activists since the new Assembly Law came into force in 2011. According to data provided by the Assistance Association for Political Prisoners Burma (AAPPB) in February 2015, there are still 177 political prisoners (including political activists, land right activists and farmers) currently incarcerated in jails and 213 political activists await trial. Additionally, Human Rights Watch still lists a number of human rights violations, especially in the conflict zones of Kachin and Shan State.

Civil rights
2

The attempts of the International Labor Organization (ILO) to end forced labor have significantly improved. The government attempted to end forced labor in 2015, although this is a challenge and pockets of forced labor remain. The army is still using child soldiers, although it has released 376 children in 2014.

The governmental National Human Rights Commission continues to receive numerous reports of alleged human rights violations but it has not adequately investigated the reports. It had received approximately 4,000 cases since it was established in 2011. Chairman Win Mra said in early 2013 that the commission would not investigate any alleged Burmese army abuses in conflict zones (meaning Rakhine, Kachin and Shan State). A bill to provide a stronger legislative basis for the

commission's independence was passed into law in 2014, but will take effect only in 2015.

4 | Stability of Democratic Institutions

Myanmar is not a democracy. Since the elections 2010 were not free and fair, we can speak of electoral authoritarian institutions at best. The USDP stills dominates both houses of parliament, opposition and ethnic parties hold only about 24% altogether. The military controls 25% and is a vetoplayer for far-reaching constitutional reforms, which threaten military dominance.

During the last five years liberal members within the USDP, the opposition and the ethnic groups have slowly had an impact on the authoritarian regime. During the last two years, some of these groups have attempted to change the constitution. Calls for constitutional change began to gain momentum domestically in March 2013, when senior members of the ruling USDP submitted a proposal to form a committee to review the constitution. The Joint Committee for Reviewing the Constitution, comprised of 109 members of all 18 parties represented in parliament, was tasked with reviewing potential changes to the charter - the committee had to discuss thousands of proposals submitted by the public. Since the committee was packed with status quo forces (52 members of the USDP, 25 of the armed forces, 7 of the NLD, 25 combined members of smaller parties), its January 2014 report, to no surprise, shied away from proposing far-reaching reforms. It recommended a greater devolution of power - a key demand of major ethnic groups, but to a much lesser extent than federalism would dictate. Moreover, the committee advised against changing article 59 f, which bars individuals from becoming president if their spouses or children hold foreign citizenship, thereby disqualifying Aung San Suu Kyi. It also supported the continued political role of the military. Some of these revisions are put under a referendum next year.

Since the opposition was dissatisfied with the outcome of constitutional reform, they started to mobilize the public and urged the president to call a meeting of all major leaders to discuss charter reforms. Although President Thein Sein invited to such a meeting in October 2014, there was no agreement on charter change. The military and status quo forces at the time of writing prefer a guided transition to democracy, in which the military holds the position of moderator above the social forces.

The ongoing transitions challenge the conventional understanding of Burmese politics as a polarized contestation between civilian democrats and military reformers on the one side, and the reform-averse Tatmadaw and her civilian proxies on the other. A plethora of issues and conflicts have emerged between these mutually

Performance of
democratic
institutions
2

Commitment to
democratic
institutions
2

exclusive groups as a consequence of the liberalization process, manifesting themselves in reform initiatives that were supported by the military or the USDP.

In general, the USDP and the Tatmadaw, the most interlinked and powerful actors, continue to maintain a strong relationship in support of the overall political architecture and its benefits. However, a small yet growing divergence (though not in open conflict) consists between these entities as they develop new identities and roles in the political system, with different power bases.

The opposition has been lobbying for a charter reform to make the country more democratic, reduce the role of the military and ease charter change. Parliament discussed some of these liberalizing reforms without finding an agreement on a far-reaching democratization of the political system. The military block in parliament vetoed proposals for a limited influence of the military at present or in the future (Art. 436).

5 | Political and Social Integration

The multi-party system is at a very nascent stage, with political restrictions and oppression through military rule hindering the development of parties or party systems. With the 2015 elections ahead, liberalization leads to a mushrooming of political parties. While 37 were allowed to contest in the 2010 elections, more than 70 political parties were legally registered with the election commission at the end of 2014. Among these, the NLD and USDP stand out as major nation-wide parties, with strong organizational resources and clear roots in the authoritarian past: the NLD as winner of the 1990s election and (oppressed) opposition; the USDP as regime sponsored party, which won the 2010 election. Both parties are also criticized for their centralized and hierarchical organizations. Aung San Suu Kyi has been criticized by her own members and by civil society organizations for insufficiently supporting local capacities and nurturing internal debate. The National Unity Party was a regime sponsored party in the 1990 election and won 17 seats in both houses in the 2010 election.

Apart from these bigger, nation-wide parties with offices in nearly every district, there is a large number of newer identity-based parties. The ethnic party landscape is in flux, since a lot of them are newly formed and already discuss possible mergers and alliances. The ethnic parties often lack resources and are characterized by strong personalities (and leaders) at the top, such as Khun Htun Oo of the Shan Nationalities Democratic Party (SNDP) or Aye Tha Aung of the Arakan League for Democracy (ALD). Ethnic parties have a very weak institutional base and lack organizational strength. Two ethnic-party alliances have already been formed, the 12 member United

Party system

3

Nationalities Alliance (formed after the 1990 election) and the 22 member Nationalities Brotherhood Federation (formed after the 2010 elections).

The spectrum of interest groups working within the country has clearly broadened with advanced liberalization. There are no official statistics on the number of active NGOs in Myanmar. Some estimate that the number of NGOs is as high as 10,000, although many of them are not registered.

Interest groups
3

The new association law, which was written with the input from civil society organizations and passed by parliament in July 2014, gives interest groups room to organize without restrictions. It provides voluntary registration procedures for local and international NGOs and contains no restrictions or criminal punishments.

Despite a progress in the legal environment, NGOs still face enormous challenges in terms of capacities and finances. The huge run of foreign donors on NGOs and their staff lead to bottlenecks. Moreover, on the local level activists and NGOs still face hurdles from the authorities.

While the NGO sector has been pretty vibrant in recent years, other interest groups could also gain room to organize and lobby for their interests. However, some of the business organizations are either formed by the government or heavily dominated by the regime. They hardly reach out to all businesses in their field, restricting interest group representation. While the NGO sector has seen a number of alliances, business associations are still hesitant to work with NGOs.

According to a survey from 2014 by the Asia Foundation, there is a very strong support for democracy in the abstract sense, and a high level of expectation that voting will bring positive changes. The survey results, however, have also indicated to a limited understanding about the principles and practices that underpin a democratic society. Democracy is viewed as having provided new freedoms, but there is little understanding about the functioning of democratic institutions. The 2013 survey by the International Republican Institute (IRI) has shown some similar results. Over 50% of the respondents found democracy the best possible form of government. It also demonstrated a high level of support for the reform course of the civilian government. Although the respondents backed some further democratization, IRI's survey revealed some level of trust in the current semi-democratic institutions (presidency and parliament).

Approval of
democracy
n/a

The 2014 Asia Foundation survey conveys that social trust is especially low, and political disagreements are deeply polarizing. High levels of 77% of all respondents believed that, generally, most people cannot be trusted (71% in the states, 80% in the regions). The situation did improve when asked whether most people in their neighborhood can be trusted, with 56% agreeing strongly, or somewhat, that most people can be trusted, and 43% in disagree. The survey results mirror the values of a

Social capital
3

post-conflict society and fifty years of fighting between the central government and the ethnic groups.

On the one hand, the current liberalization has seen a proliferation of self-help and community groups. While these groups were concentrated in Yangon in the early phase of liberalization, the last two years has seen their expansion down to local level. For instance, a huge number of civil society organizations supported the government's EITI (Extractive Industries Transparency Initiative), in order to make the government more transparent and accountable. This group developed into a country-wide network with more than sixty civil society organizations both at central and local level, fighting against human rights abuses, land grabbing and intransparency. These groups organize voluntary and build solidarity.

On the other hand, the past few years have also seen the formation of "uncivil" Buddhist-nationalist groups, such as the 969 movement or the MaBaThA (The Organization for the Protection of Race and Religion).

II. Economic Transformation

6 | Level of Socioeconomic Development

Myanmar's socioeconomic indicators have continued to decline and the country remains one of the world's least developed countries. In UNDP's 2014 Human Development Index, it ranked 150th out of 187 states, with the lowest value (0.524) in Southeast Asia. The gap between the small number of wealthy people and a large number of poor people is still widening. According to a government report from 2014, the national poverty rate is still 26%, with a significant urban-rural gap. Poverty in Chin State is 74%, in Rakhine State it is 44%. This coincides with ethnic exclusion, since most of the peripheral areas are inhabited by the country's non-Myanmar ethnicities, which have been fighting for some degree of autonomy for the last fifty years. In addition, as a result of decades of armed conflict, military rule and - since the 1990s - military-dominated "predatory capitalism," horizontal inequality (between ethnic groups) and vertical inequality (between members of the military elite and their civilian cronies on the one hand and the rest of the impoverished Myanmar population on the other hand) is presumably high, although reliable data is almost non-existent and the reliability of published data remains questionable.

Myanmar is still an agricultural country, with about 70% living in rural areas. Many farmers survive at very low income levels. According to data from the World Food Programme (2009), more than one third of child deaths are related to malnutrition and 35% of children under the age of five are short for their age. An estimated 17%

Question
Score

Socioeconomic
barriers
2

of households in Burma are subject to instable food supply- especially in the war-torn areas of Kachin and Rakhine state. The under five-year mortality is high with 52 deaths out of every 1000 births (WHO 2013). Since the government does not provide enough money to schools which in return charge high tuition fees, many parents cannot afford to send their children to a school beyond primary level. One quarter of the country's children leave primary school before the 5th grade.

Economic indicators		2005	2010	2013	2014
GDP	\$ M	-	-	58652.2	64330.0
GDP growth	%	-	-	8.2	8.5
Inflation (CPI)	%	9.4	7.7	5.5	5.5
Unemployment	%	3.4	3.5	3.4	-
Foreign direct investment	% of GDP	-	-	3.8	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	581.8	1574.2	-1127.7	-
Public debt	% of GDP	110.2	49.5	34.8	31.6
External debt	\$ M	6887.8	8189.3	7366.7	-
Total debt service	\$ M	4.6	6.3	943.3	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public expnd. on education	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	0.2	0.3	0.5	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	4.0	3.7

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

After the 1988 coup, the military regime officially abandoned the socialist economic system and introduced a market-driven economic system. In reality, however, the economy remained highly controlled by the state, which restrains market-based competition. Since 1989, the military has initiated a number of large-scale privatizations, including the 2009/2010 privatizations, when over 300 state owned enterprises, including major airlines, ports, mines, factories, were transferred directly to supporters of the regime or military conglomerates which continue to control the economy. According to the Heritage Foundation's Economic Freedom Index, Myanmar remains a repressive economy, although it opened up and became free through the economic reforms initiated under President Thein Sein since 2011 in order to attract Foreign Direct Investment (FDI). Export taxes were lowered and restrictions on financial services were eased. In 2012, the country ended its grossly overvalued foreign exchange rate system, which had been in place for 35 years, and introduced a managed floating system. In July 2013, the central bank was separated from the finance ministry and granted functional autonomy, being able to implement net open foreign exchange regulations. The local currency is used increasingly, although the dollar is still in circulation for certain transactions.

Market-based
competition
3

In the domestic market, there is hardly any contestability in some sectors. Agriculture and the extractive industries, such as oil, gas and mining, are all in the hands of large conglomerates or tycoons. Although in 2013, foreign companies gained concessions in the GSM telecommunication sectors, there is only a limited competition in other sectors, which remain dominated by state owned enterprises and military conglomerates. According to government statistics of 2013, the informal sector makes up 80%. Although the government is pushing for the development of small and medium enterprises (SMEs), there are a number of hurdles for the development of these, as the access to finances, lengthy business licenses and permit procedures and lack of infrastructure. The Small and Medium Industrial Development Bank has provided \$20 million in loans to entrepreneurs in 2014, and time and requirements necessary for starting a business have significantly decreased. By the end of 2013, the number of procedures required to start a business were reduced from nine to seven, and the duration of these procedures from 72 to nine days.

In December 2012, the government enacted a new foreign investment law that offers tax breaks to investors and allows them to ease private land. Foreign investment is hindered by two separate investment laws (foreign investment law and citizen's investment law) which function in favor of domestic investment, but preparation for merging them into one investment regulation is underway.

Myanmar does not have a comprehensive competition law in place. Under the framework of military-dominated economy and given the political logic of nepotist and predatory capitalism, the government has neither the political will nor, presumably, the capability to take meaningful measures in order to obstruct monopolistic or oligopolistic structures. Nevertheless, in recent years the government has become more active in drafting the legal framework. The 2008 constitution states that the government “should protect and prevent acts that injure public interests through monopolization or manipulation of prices by an individual or group with intent to endanger fair competition in economic activities”. The 2013 Telecommunications Law contains a chapter on anti-competitive practices in the telecommunication sector and the government has started to draft a competition policy and a competition law in August 2014. According to the draft, there will be a competition commission, which will act as the enforcement authority to control and monitor competition. Apparently, the competition law is to cover all sectors in the economy. However, it remains uncertain if these legal changes will manifest themselves as tangible change.

Anti-monopoly
policy
2

Myanmar has been a Member of the WTO since 1995. At the same time, however, the country has been isolated from a large part of the global economy for years. The government adopted measures to open up the economy only since 2011. Under President Thein Sein, the country has been revising trade-related legislation. Recognizing that the country needs foreign capital and technology for sustainable development in the future, the government started to liberalize its highly controlled economy. The country promulgated the new Foreign Direct Investment Law and liberalized external trade. This entailed the abolition of the powerful and restrictive Trade Council, reducing export tax, relaxing the licensing system for external trade and allowing the private sector to engage in hitherto restricted trading areas such as construction materials, motor vehicles, cooking oil and fuel imports. Due to these reforms, the country climbed successfully on the World Bank’s Doing Business Report, in which Myanmar was included for the first time in 2013. In 2013, it was ranked 182th out of 189, with that figure declining to 178th in 2014 and 177th in 2015.

Liberalization of
foreign trade
2

A WTO member, the country has an official tariff figure that is low on paper. The average applied MFN tariff was 5.5% in 2013, about the same as in 1996 and slightly lower than in 2008. However, non-tariff measures seem to be significant, since import and export licenses are considered case by case with some apparent corruption in that process. Import and export taxes are also high. Certain import items are still limited to shield the local market, for instance some agricultural products.

Myanmar did not have a functioning financial system for the last 50 years. President Thein Sein’s reforms have put critical legislative foundations in place, technologies and other innovations have advanced. Under the guidance of the IMF, the World Bank and a number of bilateral donors, the banking system has been strengthened.

Banking system
2

The four state owned banks still dominate the banking system, nine semi-official and 13 private banks were allowed to operate since 2011. Since foreign branch offices have been allowed in 2014, 32 foreign banks are operating inside the country. Foreign banks seem to be limited in their operations to foreign investors and allowed to have one branch only.

The equity and bond markets are yet to be developed. The authorities consider that banks in Myanmar have not been exposed to serious non-performing loans (NPL). All domestic banks must submit their NPL positions to the Financial Institutions Supervision Department of the Central Bank on a quarterly basis.

8 | Currency and Price Stability

In the past, the central bank did not have a consistent or effective inflation control policy. The government, which controlled the central bank, imposed arbitrary top-down policies, such as printing money to solve budget deficits, which led to high fluctuating inflation rates. The new central bank law of 2013 provided autonomy for the central bank and enabled it to function independently of the Ministry of Finance. Additionally, it has the mandate to set and implement monetary policy. The final regulatory framework was not yet in place until the end of 2014. Consequently, a strong supervision was lacking.

Anti-inflation /
forex policy

4

The central bank is responsible for Myanmar's managed floating exchange rate regime introduced in 2012. Under these arrangements, a daily auction is held by the central bank amongst the commercial banks to determine a reference rate for the kyat against the US dollar. Since the effective float of the kyat, the currency has traded between a high of 820 kyat per US dollar to a low of about 1000 kyat per US-Dollar.

The main objective of monetary policy is price stability. Inflation increased to average 5.5% in 2013 and 6.0% in 2014. The drivers were primarily rising salaries of bureaucrats and rising prices for houses.

For years, the government has not devised or implemented any fiscal or debt policies to promote macroeconomic stability.

Macrostability

2

The country's level of debt - projected at 39.8% of GDP in 2013 - is not overtly high compared to other countries in the region. However, the country's overreliance on natural resources and the low tax base are an area of concern. Myanmar's average tax-to-GDP ratio stood at 3.2% in 2013 and was among the lowest in Asian countries. The budget deficit remained under 5% in the last three years. It was financed through bonds and the central bank.

Myanmar was able to ease its financial situation in the last three years due to debt rescheduling and cancellation. To honor Thein Sein's reform course and enable new

lending by multilateral institutions and countries, many multilateral and bilateral donors rescheduled or cancelled their debts. Japan cancelled half of the \$6 billion in debts, the Paris Club - an informal grouping of creditor nations including France, Germany and the U.S. - promised a debt relief of \$5.3 billion, Norway cancelled its entire debt of \$534 Million

9 | Private Property

There is no effective protection of property rights, including intellectual property rights, in Myanmar. According to the 2008 constitution, the state ultimately owns all the land and natural resources, although it permits some exercise of private property rights. This means that citizens can own land, but that the state can confiscate the property if it so desires. In fact, most ordinary people do not have legal ties to their land and other property. The state has confiscated many private plots for government projects, including the establishment of military camps and businesses, without providing adequate compensation.

Myanmar has submitted an international property rights law to the parliament. According to the authorities, the draft law is to be consistent with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the WTO.

While Myanmar had a quasi-socialist economic system until 1988, since then, the ruling coalition has systematically begun to quasi-privatize the formerly state-dominated economy. This, however, was not reflected in any institutional changes or legal framework. Rather, the dynamics of de facto unregulated privatization facilitated the development of a rentier economy subject to capture by military officers, their civilian cronies and entrepreneurs along the border of the country (many of whom became armed insurgents). The government has initiated several rounds of privatization in the past decade. The privatization under the military regime in 2009/2010 was carried out in favor of a selected few, recent rounds of privatization however saw the entry of foreign companies. Under President Thein Sein a new privatization commission was established, headed by the vice president. For the liberalization of the telecommunication sector, the authorities used an open tender.

The government also values the importance of SMEs for the creation of employment and income generation. The government is preparing an SME law with the objective of improving human resource development, boosting technology innovation. Large parts of SMEs are informal entities, most of them are family-owned or related to self-employment.

Property rights
1

Private enterprise
3

All in all, state companies and monopolies still dominate the most important business sectors of the countries, although private companies have gained in importance in recent years.

10 | Welfare Regime

Until the recent reform period, the social safety net was thin and social protection coverage was very limited in terms of both legal and effective coverage. The country's social security system is organized around two different schemes - the pension scheme for civil servants and a social security scheme which is supposed to cover formal employment in the private sector. The first scheme is managed by the Ministry of Finance and is a pension scheme for civil servants. The second scheme came into effect in 1956. It includes coverage in the cases of death of the breadwinner, employment injury, sickness and maternity, but also free medical care to contributors in the social security board's healthcare facilities. However, the combined coverage of both schemes is extremely thin, protecting less than two million persons.

Under President Thein Sein social policies started to arise at the forefront of policy discussions. In his presidential address at the National Social Protection Conference held in June 2012, President Thein Sein called for an inclusive and comprehensive protection system, providing access to healthcare and income security for all. In this context, Myanmar passed a new Social Security Law in 2012, which was implemented in April 2014.

The law provides for cash benefits of up to 60% of a worker's salary in case of illness or maternity. Money for funeral arrangements will be increased by one to five times a worker's salary. Retirement benefits under the new scheme have also seen a boost. The Thein Sein Government in recent years increased social spending, albeit from a very modest level. Although the expenses for health have been doubled, they still make up 3.4 percent of the national budget (in 2014/2015). Military expenses are still 12 Percent of the national budget.

The Thein Sein government has invited international institutions to help formulate the Social Protection Strategic Plan, which was adopted in January 2015. The plan, an 8-step social protection program for the next 10 years, is going to address the following issues: provide cash allowances to pregnant women and children up to the age of two, gradually extend those allowances to older children, provide cash allowances to people with disabilities, administer school nutrition programs, implement public employment and vocational education programs, introduce social pensions, establish self-help groups for the elderly, and provide integrated social protection services.

Social safety nets
3

Formally, there is little discrimination based on gender, ethnicity or religion. The social status of women is traditionally high and the country has a number of prominent intellectuals influencing public debates (Aung San Suu Kyi, Nita Yin Yin May and Dr. Ma Thida). Women represent nearly half of the labor force (49.8%) and have the same chances in education. Nevertheless the literacy rate, which is 92% among those aged 15-24, is higher for men (95%) than for women (90%). Women also attend university less often than men. Moreover, women are much more vulnerable in the war-torn areas of the ethnic communities visible in high rates of trafficking, rape and prostitution.

Equal opportunity
2

Ethnic minorities face severe discrimination. They have less access to higher education, particularly in engineering and medicine, since these universities are concentrated in Yangon. Since 2014, ethnic minority languages are taught in primary schools. Especially minorities such as Muslims and Rohingya as well as Karen face even harder discrimination and sometimes suffer from brutal violations of their rights because of their minority status.

In terms of public office, some discrimination based on gender, ethnicity and religion exists, especially for access to senior positions, and particularly in the military. For example, there are few or no women in the leadership positions of the various political organizations public offices. Few ethnic minorities or non-Buddhist military officers have been promoted beyond the middle ranks.

The most glaring case of discrimination is the Rohingya minority, members of which have not been granted citizenship and have seen their rights of free movement severely restricted.

11 | Economic Performance

Myanmar reported high GDP growth over recent decades, averaging 10.2% between 1992 and 2010, and 12.2% between 2000 and 2010. Recent economic updates by the IMF and the ADB, however, reveal that official growth rates have been greatly overstated due to the country's poor capabilities in producing sound statistics and use of outdated methods therein. Based on various production indicators (electricity sales, cement production), the IMF estimates that GDP growth averaged 4.6% from 2002 to 2010 and increased to 5.0% in 2009/2010. In 2010 and 2011, GDP growth averaged 5.3% and 5.5%, respectively. Reasons for the low growth rates over the last decades include low investment, limited integration with global markets, the dominance of state-owned enterprises, and frequent episodes of macroeconomic instability. For instance, gross domestic investment averaged only 14.2%, the lowest among ASEAN countries.

Output strength
5

Since economic liberalization, Myanmar has seen a solid growth rate of over 5%. Due to investment in infrastructure and foreign investment, GDP grew 6.5% in 2013. For 2014, the IMF estimates an 8.5% growth and the forecasts for 2015 and 2016 are at an average of 8.3%.

Inflation increased to average 5.5% in 2013 and 6.0% in 2014. The drivers were primarily rising salaries for bureaucrats and rising prices for houses.

Myanmar's budget has seen some deficit for a number of years already, with little room for further expansion of social spending at the moment. However, the general level of debt is low (39.8% of GDP).

FDI rose rapidly since 2009. According to the government figures, the foreign investment volume increased to 13% from \$40,699 million in 2011/2012 to \$46,225 million in 2013/14. The number of foreign investment cases also increased from 123 in 2011/12 to 191 in 2013/14. However, most of these investments have been in the oil and gas sector, which is not conducive to triggering further employment and could worsen the Dutch disease already tangible.

12 | Sustainability

In the past, environmental concerns have not been taken into account seriously. There was no environmental ministry, and environmental impact assessments were not required for either domestic or foreign investment. To make matters worse, both ethnic armies and the military were involved in illegal logging activities, which contributed to worsening deforestation in parts of the areas of the ethnic communities.

President Thein Sein has promised a new approach in this field, taking environmental concerns more seriously. Just six months after inauguration, in September 2011, the president suspended work on the Myitsone Dam, a \$3.6 billion project financed by China on the Irrawaddy River to provide electricity to China's Yunnan province. Among the five specific issues he cited were environmental concerns and negative impacts on local livelihoods. In January 2012, the government cancelled a 4,000 megawatt, Thai-financed, coal-burning power plant due to possible "adverse effects on the environment." Thein Sein promised to become a signatory to the Extractive Industry Transparency Initiative (EITI). The initiative's member companies and countries agree to implement a global standard for transparency about revenues from natural resources. In 2014, Myanmar became a candidate of EITI, which carries certain responsibilities in terms of transparency in revenue management, civil society and industry collaboration.

The institutional base for environmental policy has also been strengthened. A new environmental ministry has been created. The former Ministry of Forestry has become the New Ministry of Environmental Conservation and Forestry. In 2012, the

Environmental
policy
3

new Environmental Conservation Law was passed and in 2013, Environmental Impact Assessments have been made mandatory for both local investments and FDI.

Myanmar ranks 164th out of 178 in the 2014 Environmental Performance Index, which ranks 22 performance indicators in policy categories such as air and water pollution next to impacts on agriculture, fisheries and forests. In 2012 and 2011, it has been placed on rank 164 and 163, respectively.

The country's education system, once one of the best in the region until the military seized power in 1962, has crumbled under decades of military rule. Because anti-government demonstrations often begun on university campuses, the regime has resorted to shutting down universities, often for years at once (for three years, following the 1988 demonstrations, and for four years, after demonstrations in 1996). After 1996, several campuses were moved outside Yangon to make student organizing more difficult. At the same time, the military has encouraged students to take distance education courses, which require little time on campus and provide fewer opportunities to develop networks and become politicized. This policy has also led to a deterioration in the quality of education. The regime has treated civilian education as relatively unimportant, while focusing on the development of military universities. Military medical and engineering universities have been established so that the military will have properly trained doctors and engineers. In the last decade, more private schools have been allowed to open and more elites have sent their children there due to the poor quality of public schools.

Under Thein Sein, the university landscape has become much more open. Consequently, a number of international education institutions sought collaboration with universities from Yangon. Parliament passed a new education law in September 2014, which grants universities considerable autonomy over their own affairs. In January 2015, students took concerns over further reforms and an increase in spending on education to the streets.

For the 2011/2012 budget, the junta allocated 4.13% (\$350 million) of the state budget to education, and about 23.6% (\$2 billion) to defense.

The Thein Sein government has pledged to raise the amount spent on education to 5.9% of the \$19 billion total national budget for fiscal year 2014/15, while reducing the amount spent on defense to 12-13%. Yet despite such promises, the current budget allocates some \$2.4 billion for defense versus a mere \$110 million for education. Expenditures on education and health are still the lowest in Southeast Asia.

Education policy /
R&D
2

Transformation Management

I. Level of Difficulty

Structural constraints on governance are high. Poverty rates are high throughout the country, education levels are very low, the educated workforce is small, and the administrative capacity of the bureaucracy to tackle these problems is quite weak. Infrastructure is inadequate, as the national transport network (road and railway) is outdated, and access to electricity remains insufficient, although car and railroad networks were extended and electricity coverage increased. According to government data, the length of total road networks increased by 24% from 2010/11 to 2013/14, and railway networks also increased to 73%. In addition, access to electricity increased from 27% in 2011 to 33% in 2014 among all households.

Structural
constraints
9

The rate of HIV prevalence among the population is approximately 1% to 2%, which requires commitment in managing and reducing, but is well below the scale of some of the hardest-hit countries in Africa. However, Myanmar still has high incidences of malaria and tuberculosis.

While structural constraints on governance are extremely high, the current political and economic opening brings the additional challenge of an overflow of demands and needs from foreign donors and international civil society organizations, who want to assist in the current transformation.

Myanmar civil society does not have strong roots. Although there was some civic engagement by student and labor unions under the democratic government in the 1950s, the government still tried to set up its own unions to control such movements. Since the military takeover in 1962, all independent civil organizations, including student and labor unions, have been outlawed, as has the independent media. Room for civil society exists only in areas of limited state control, and civil society organizations started to organize in the education and health sector in the 1990s. This has changed.

Civil society
traditions
9

Many local community organizations and NGOs have been formed in the wake of the cyclone Nargis in 2008, to address local social and economic problems. However, most of them are uncoordinated and still working on their own organizational development.

The last five years have seen an immense growth of civil society organizations. They have started to influence the policy-making process, are criticizing the government, advocating political parties and parliamentary representation. In nearly every sector (e.g. education, environment, land, civil military relations), civil society organizations are active and are now involved in various steps of policy-making. However, due to the long history of authoritarian rule and suppression by the military government, trust between both civil society actors themselves and between civil society and the government is a major issue, especially in the ethnic-minority regions.

The country has faced civil war since independence in 1948. Various ethnic groups have waged war against the government for autonomy in their ethnic areas. Although the government has forged ceasefires with more than a dozen armies, no significant concessions were made. The ceasefires called by General Khin Nyunt in the 1990s were based on gentlemen's agreements. Between 2009 and 2011, the military ordered ethnic groups that had signed ceasefires to transform into border guard forces under the Myanmar military's control. While some ethnic groups accepted the border guard proposal, the largest groups have refused to lay down their weapons, and ceasefires collapsed, so that ethnic conflict has escalated since then.

Conflict intensity
8

However, President Thein Sein has pledged to make national reconciliation a priority and has offered a new approach to ethnic politics. He offered unconditional peace talks with all 13 groups and finally managed to sign ceasefires with 12 of them - since war broke out in Kachin State in 2011, he could not sign a ceasefire with this group. Thein Sein promised to hold a political dialogue after a national ceasefire with all ethnic groups has been signed. On the way to a national ceasefire, long-standing enemies met and exchanged views on peace and war in the ethnic minority areas. On the government side, the 11-member union-level peace team (Union Peacemaking Working Committee, UPWC) is leading the process under the leadership of President's Office Minister U Aung Min, and the military is also involved in the negotiations. The process is being coordinated by the Myanmar Peace Centre. Various rounds of official talks between the UPWC and the Nationwide Ceasefire-Coordination Team (NCCT), who represent the ethnic armies, have been held. As of January 2015, no draft document has been signed, although the government has already started its preparations for a political dialogue. Decades of fighting have created a climate of distrust. The ethnic groups continue to hold great reservations towards the government; the latter started the negotiations with a demand that ethnic armies abandon their armed struggles, recognize the constitution, give up fighting and integrate themselves into the national army. In later rounds, the government made some concessions. For instance, the point of an acknowledgement of the 2008 constitution was dropped. A crisis was reached towards the end of 2014, when the military backtracked on a consensus reached in earlier negotiation rounds that ethnic armed groups need only integrate into the national army after a political solution was reached. This made armed ethnic groups more suspicious of the Myanmar military

and destroyed trust, since fighting escalated at the same time. The ethnic groups found it difficult to find a common voice, with most, but not all of them demanding a rewriting or serious revision of the constitution and the establishment of a truly federal state with a federally structured army. Lasting peace is a protracted issue, since on both sides economic interests are involved and major grievances need to be recognized, such as the negative impact of (military) development projects on local communities, land confiscations, and the environmental and social impact of economic projects, as well as competition over control of natural resources, land confiscation, poverty and underdevelopment.

Myanmar's opening has been accompanied by an escalation of long-simmering religious conflicts between Buddhist Rakhine and Muslim Rohingya in Rakhine State. In June and October 2012, clashes between Buddhists and Muslims left almost 200 people dead and approximately 140,000 displaced. In early January 2013, the violence spread to central Myanmar. The origins of this religious violence are manifold: the problem in Western Myanmar has its roots in citizenship issues, since the Rohingya are not considered part of the official nation state, most of them are believed to have arrived after independence in 1948. Yet, this is highly disputed: other sources argue that while there certainly have been Muslims from Bangladesh who moved to Rakhine State after 1948, many Rohingya trace their ancestry to the time before independence and even British colonization.

II. Management Performance

14 | Steering Capability

The government has set strategic priorities, which amount to nothing less than a complete overhaul of the state's governance structures. Since the president is pushing forward both economic and political reforms and parliament has become a powerful player in its own right in recent years, many reform steps are uncoordinated, lacking a carefully designed plan. For instance, during the first four years in office, the president initiated political (first year), economic (second year) and administrative reforms (third year). Not all reforms succeeded or were fully successful, so they needed some revision after a few years, e.g. the assembly law or the investment law.

The government's top long-term strategic priorities are the maintenance of national sovereignty and expansion of authority to the whole country. These priorities are manifest in the government's regular proclamation of "Our Three Main Aims," which are 1) non-disintegration of the union, 2) non-disintegration of national unity and 3) perpetuation of sovereignty. Unlike his predecessors, Thein Sein envisioned true

Question
Score

Prioritization
3

national unity and ethnic reconciliation as top goals of his presidency, and he sent strong signals to the ethnic groups, the opposition and the international community that he is willing to achieve this goal through dialogue and consensus. In his inaugural speech, he recognized the need for far-reaching reforms in the political sphere, in the economy, in the education and health sectors, in agriculture and in the environment. He also acknowledged the need to open up the economy to the outside world, to introduce political reforms, to acknowledge the rule of law, and to work by consensus. Thein Sein has identified rural development and equitable growth as key economic priorities. While the president does have an ambitious agenda, this is often not translated into a detailed policy framework with the right incentives in every policy field. For instance, while there has been a master plan for comprehensive rural development, no broader reform plan has been developed. Since the speed of political and economic reforms is high and the policymaking capacity of the government is limited, the government has often made decisions on an ad-hoc basis. During Thein Sein's first years in office, the reform tempo has been slow. Hardliners have attempted to preserve the old system of politics that provided considerable rents and monopolistic advantages to small groups. After the April 2012 by-elections, the Western international community slowly suspended its sanctions policy and engaged in Myanmar. With the help of the international donor community, the president is now working on the long-term goal of reaching middle-income status by 2030. The international community has helped in addressing major problems. International workshops have addressed poverty reduction strategies, the IMF helped modernize the financial sector, and the World Bank has offered new lending schemes. Since governance constraints are massive, the level of trust is low and many potential spoilers threaten to derail the reform process, progress on all fronts is sometimes slow and setbacks seem inevitable. This can be seen in the peace process. Thein Sein has repeatedly called on the ethnic armies to sign a national ceasefire. While the government negotiation team and the ceasefire groups met more than 30 times to prepare the ceasefire, the army has attacked a training center in Kachin State in November 2014. This attack undermined the trust of the ethnic armies, who refused to sign a national cease until now.

Another problem is the tidal wave of international visitors. The worst impact is that where senior officials spend a more than significant amount of time on meetings with visitors, leaving insufficient time to make good policies and even less time for their implementation.

The implementation capacity of the government is poor, mainly due to technical incompetence and widespread corruption at all levels. Ministers and top-level civil servants, especially managing directors, are chosen on the basis of seniority rather than expertise. Lower ranking officials are used to top-down instructions and rarely become active, which can be particularly problematic at a time of policy change. Even when changes in policies are communicated by superiors, there is often a lack

Implementation
4

of understanding or political will among subordinates. Implementation can thus be perpetually postponed with requests of further clarifications from higher levels.

The technical capacity of civil servants at the middle and lower levels is also declining, since they have not been able to engage in proper advanced studies at home or abroad, although a few have been sent abroad for short courses. There have been no effective human development programs aimed at providing long-term benefits to the country. Combined lack of technical resources, human capital and lack of funds has resulted in sluggish economic growth.

The implementation capacity is hampered by a lack of inter-ministerial coordination or reform opponents. Despite this poor implementation capacity, the government has put in effect most of the promises delivered by the Thein Sein government, albeit with delays. Especially in the highly visible areas, like foreign investment policies, political prisoners etc. - which have a huge effect on the international public opinion - the government reform has been broader than in other areas. For instance, Myanmar promised to end the recruitment of child soldiers in 2012. Although the military released more than 500 children in the following years, there are still some indications that both the military and ethnic groups are recruiting child soldiers.

The new government does not effectively monitor its socioeconomic development programs. Since Myanmar has embarked on a new path of far-reaching reforms, there has been so far relatively little opportunity to learn from the past. Moreover, the scope of new laws enacted by parliament and pushed by government is massive. Since the government is active on all fronts, there is relatively little time to effectively monitor progress. Thein Sein, however, has shown a general willingness to accept recommendations from the international community. Reforms now seem to be locked in. For instance, the president sent a signal to international investors to join the Extractive Industries Transparency Initiative (EITI). The government brought all stakeholders to the table to negotiate Myanmar's candidature. At the same time, the government is working with the World Bank to overhaul the financial system.

Policy learning
5

15 | Resource Efficiency

The government is only gradually beginning to use its assets effectively. It still keeps a huge amount of resources in the budget for the military (more than 12% in 2015), and is only slowly modernizing productive sectors such as agriculture, manufacturing and education. Although the government increasingly consists of skilled people and technocrats, seniority still is an issue and nepotism is rife in many ministries. There is no competitive civil servant selection process in the bureaucracy, as personal connections to top bureaucrats and bribery are more important than personal capacity.

Efficient use of
assets
2

There are hardly any oversight mechanisms that ensure an effective working of the administration.

Since 2011, decentralization has been a priority reform area under Thein Sein's government. The president announced five significant public administration reform initiatives. In 2012, the president introduced the 10-point Framework for Economic and Social Reform (FESR) as a reform strategy to people-centered development. The framework emphasized development of the laws and regulations surrounding decentralization. Decentralization faces key challenges, as state and region budgets are very small and distributed unevenly. Regional parliaments face major capacity constraints and lack human resources. Both the executive the state and regional level are dominated by a top-down appointment process, which prevents Myanmar from achieving decentralization.

There is traditionally poor policy coordination. Due to overlapping responsibilities, redundancies and frictions between various ministries, as well as between the ministries and the regional military commands, there is generally little communication between government agencies. Ministers tend to group into hardliners and relative moderates, making inter-ministerial coordination difficult. For example, there has been no coordination between the tourism minister, who wants to preserve forests for tourism, and the economy minister, who wants to increase revenues by logging. When the government forced poppy farmers in the Wa area to relocate as part of a drug eradication program, the latter was not well coordinated across the various ministries and agencies involved, resulting in severe hunger. However, in some situations, the government has been able to establish effective horizontal forms of coordination among certain ministries and branches. The Thein Sein government set up 26 delivery units or cabinet sub-committees (led by deputy ministers) in September 2003, to coordinate tasks among relevant departments and ministries, successfully cutting red tape in different sectors, including import and export sectors.

Policy
coordination
3

Corruption is becoming a more widely recognized issue in the country as the media is increasingly outspoken on the matter, and the government pays more attention to the problem. Thein Sein first launched initiatives to tackle it after a report by the auditor-general disclosed the misuse of billions of kyat in six ministries. In a televised speech in December 2012, the president publicly pledged to eradicate graft and promote transparency. He underlined that he wanted his third reform phase to concentrate on good governance and the fight against corruption, and he urged the public to participate in the fight against graft. First steps were taken in January 2013, when the telecommunications minister and a dozen senior officials from the communications ministry were sacked and placed under investigation for alleged corruption. Myanmar also joined international initiatives to fight corruption and increase transparency. In 2014, Myanmar became a candidate member of the Extractive Industry Transparency Initiative (EITI). The Myanmar EITI member

Anti-corruption
policy
3

companies and countries agree to implement a global standard for transparency about revenues from natural resources. The Government plans to join the Open Government Partnership, an international standard to improve the transparency and fight corruption.

Recent anti-corruption measures include a requirement for new ministers and officials to declare their financial assets. A new anti-corruption act has been passed by parliament in September 2013, and in 2014, the new Anti-Corruption Commission was established. The effectiveness of the latter, however, has to be questioned, since it is staffed with former military officials. In 2014, President Thein Sein openly admitted that corruption and bribery are still chronic in the country. He rose salaries to fight corruption in the civil service. All this shows that the fighting corruption and prosecuting abuse of office are increasingly on the national agenda.

16 | Consensus-Building

There is a vague consensus within the establishment that political and economic reforms are necessary in order to catch up with neighboring countries. Even the commander of the armed forces is officially supporting the overall reform process. While there is a general consensus on political reforms, the extent and speed of the reforms is widely contested. The opposition pushed for far-reaching constitutional reforms, including a rethinking of the role of the military, but both the USDP and the military blocked far-reaching reforms within parliament. The president favors the option to achieve a national ceasefire first before entering into some discussions about political reforms. Nevertheless, on Union Day 2015, he signed a commitment to establish a democratic and federal union in the future. The military blocks a limitation of their role, as the army sees its role as moderator between various social forces and conflicting parties and as guardian of the national state. Whether democracy is a long-term goal is highly questionable, since the military still does not trust politicians. It sees itself as guardian and moderator and might stop any reform process once it derails and the military's core interest of national unity seen to be at stake. While the NLD and the ethnic groups agree on democracy as a long-term goal, the USDP's commitment to democracy is far more questionable and will be manifest in the party's behavior in the 2015 elections.

There is broad consensus on economic reforms, but the concept of a market economy is far less known. Consequently, not all reforms advocated by foreign forces are supported. There is also a fear of market participants to be left behind in the competition with western competitors.

It is unclear how much control the president has over the military, which is a powerful player in the evolving democratic order with enclaves in both cabinet and parliament. While the military has supported political reforms so far, it has blocked a further

Consensus on goals

4

Anti-democratic actors

5

reduction of its political prerogatives and veto power. Moreover, it is questionable whether the military truly supports the peace process, since it has repeatedly acted as a spoiler in Kachin and Shan State. For instance, when Thein Sein issued executive orders to halt the fighting in Kachin State in 2012, the military did not follow these.

Political leadership attempts to depolarize divisions in society and forge a consensus. There are two conflict lines, which experienced different developments during the last few years. On the one hand, there is a deeply rooted conflict between government and ethnic groups. Here, the president managed to start a peace initiative and was able to secure 13 ceasefire agreements with ethnic groups. These ceasefire agreements are supposed to lead to the signing of a nationwide ceasefire in the future. The president also promises to hold a political dialogue after signing the national ceasefire. Countless meetings between the UPWC and the ethnic armies have been held to build trust and agree on the wording of the nationwide ceasefire. It is not thoroughly clear whether the army fully supports the peace process. Attacks of the army in Kachin and Shan State have again led to armed conflict. This has increased the distrust on the side of the ethnic groups. On Union Day 2015, the president sent a strong signal to the ethnic groups and signed a commitment to install a democratic and federal union in the future. This symbolic gesture should make enable the minority groups, who have been demand for the creation of a federal state for a long time, to sign a nationwide ceasefire.

On the other hand, there is the conflict with the Muslim Rohingyas, which have not been granted Burmese citizenship. The government has on occasion made ultranationalist demands, which led to a further discrimination of the Rohingya. For instance, parliament is discussing bills which restrict interfaith marriages and has stripped the Rohingyas of their right to vote in the upcoming referendum on a new constitution.

With the broadening pace of liberalization, civil society became included in decision-making more regularly than before, playing an increasingly active role in the formulation and revision of laws, and giving advice to members of cabinet and the government. Due to the active inclusion of members of civil society, certain laws have become much less repressive, such as the publishing bill, the new association law or the assembly law.

Despite the increasing participation, which stems from the growing assertiveness of civil society groups, authorities remain reluctant to include civil society systematically in decision-making. Civil society groups still report about a lack of transparency and fluent communication with government ministries. Moreover, local authorities are far more reluctant to hear civil society groups. Activists fighting for land rights or environmental rights at the local level report about discrimination and repression.

Cleavage /
conflict
management

5

Civil society
participation

4

There is no significant reconciliation process underway, since the leaders still struggle to find an end to the decade-long conflict between the various groups. Although the president, in his inaugural address, acknowledged cruelty and atrocities – the “hell of untold miseries” suffered as a consequence of the decades of armed conflicts and “the dogmatism, sectarian strife and racism” driving these conflicts – there has been no attempt to heal the wounds of the past until now. The president is not manipulating and attacking his opponents anymore, as the military leaders of the past did. However, the leadership is not yet addressing historical acts of injustice either.

Reconciliation
4

17 | International Cooperation

Nearly all Western donors have increased their support through a flow of aid to Myanmar. This will have a positive catalytic effect on both donor assistance and foreign investment but does not serve as a good indicator of future flows of aid to Myanmar. There is also evidence that flows of aid from Asian donors, principally Japan but also Korea, China and India, will together exceed the aid flows from Western donors. The impact of donations remains to be seen. The Myanmar government has promised to cooperate with and coordinate aid. It has agreed on the Naypyidaw Accord for Effective Development Coordination, which is a localized version of the Paris Declaration and the Accra Agenda for Action, both international principles that attempt to ensure aid effectiveness and cooperation. The government has also created the Framework for Economic and Social Reform (FESR), in consultation with civil society groups, which has been used by both government and international development partners as a guide and follow-up mechanism for continuing international assistance and monitoring the government’s implementation. A number of working groups consisting of government agencies and donors have been built to steer implementation in 16 sectors. It is, however, too early to assess the effectiveness of this institutional framework. Aid is distributed very slowly and the oversight mechanisms seem to be working. From 1 January 2014, \$3.4 billion in multilateral and bilateral aid has been promised, but only 30% has been disbursed so far. In general, the Myanmar government is welcoming international aid as a positive means of modernization. However, in critical areas, such as human rights or the Rohingya issue, the government is more reluctant to implement reforms advocated by multilateral agencies.

Effective use of
support
6

The Thein Sein government has been widely hailed for its far-reaching reforms. It tries to act as a reliable partner and is progressing with historic reforms. Most governments seem to have acknowledged that an overhaul of 50 years of authoritarian rule will need time and therefore have refrained from criticizing the ongoing human rights violations persistent in the country. There are, however, some notable exceptions. For instance, the British government has warned that it might

Credibility
6

return to the sanction policy of the past, if the government does not address the Rohingya issue and the issue of political prisoners. Moreover, the Rohingya problem has repeatedly been criticized by human rights groups.

In the economic sphere, the government is closely working with international institutions to reform the economy. The country has seen increasing investment since the opening. Most of this, however, has been in the resource sector. Investment in labor-intensive industries is still low, mainly due to bureaucratic hindrances and the lacking skills of Myanmar's workers. Access to finance is another top constraint for private enterprises as Myanmar's economy undergoes market-oriented reforms after emerging from decades of isolation, difficulties in getting land-use rights, power outages, and inadequate workforce skills are other main barriers to business operation and growth in Myanmar.

Myanmar has successfully reengaged with the international community in recent years. The country has seen a number of high-profile visitors: U.S. President Obama has already visited the country twice, in November 2012 and in November 2014. A number of European heads of states visited as well, such as German President Gauck in February 2014 or David Cameron in 2012. Thein Sein himself has visited five states in Europe in 2014.

Apart from heads of states, a number of international organizations have reengaged with Myanmar in order to support the reform process: the World Bank, the Asian Development Bank, the IMF and numerous donor organizations.

Myanmar has also tried to maintain good relations with its neighbors, especially India, China and Thailand. All three neighbors together with South Korea and Malaysia are competing for gas and oil extraction rights in Myanmar. In return, China and India provide military equipment to Myanmar, as does Russia. China additionally provides interest-free loans and development assistance. One reason is to prevent internal unrest that could affect China's border. While China remains the most important development partner in the region, the country has also successfully participated in the Association of Southeast Asian Nations. In 2014, it chaired the regional organization for the first time.

Regional
cooperation
7

Strategic Outlook

Myanmar is approaching the 2015 elections, which results will be a crucial factor to the power relations between reformers, moderates and opponents of reforms. It remains imperative that the new government continues the reform process on all strategic levels: democratic reforms, peace process, economic opening. Since the transformation process is complex, changes cannot be expected overnight and therefore all political players have to work to build political trust and reform the country.

Ideally, the country should refrain from continuing policies of confrontation and contestation after the 2015 elections, if the NLD or incumbent government experience a landslide victory. The winner has to take the opposition into the boat to form a national unity government and start a reform of the political process. Even if Aung San Suu Kyi is legally impaired to run for president, she has to take over a prominent position of senior advisor or representative, in order to include all forces of the country and start the second phase of reforms.

The continuation of the peace process is of ultimate importance to the new government. The government should reach out to the ethnic groups and continue to win their trust. A true national reconciliation needs to be brought underway, beginning with the implementation of a truly democratic and federal system. During this national political dialogue, other reforms, such as a direct election of the president and a strengthening of federal governments need to be discussed to create a truly democratic system. Political parties need to build capacities to focus on their role as intermediaries between society and state.

The new president should also openly engage the military to start thinking about a reform of its internal procedures, its doctrine and political role. The military has to be engaged, since it is the most important player in the political system and it has a veto over further reform.

On the economic front, the country should further engage to strengthen its banking system and central bank. It should work with international partners to fuel investment into manufacturing and infrastructure. Since the country needs to avoid the resource curse, its over-reliance on the export of natural gas and oil is dangerous. The country should try to implement a transparent revenue management of natural resources, in order to avoid the resource curse. In accordance with financial abilities, expenses in the education and health sector need to be gradually increased. Myanmar should take international advice into account in order to improve the social safety net.