

# Conceptualizing Public Sector Reform in Myanmar



David Hook, Tin Maung Than and Kim N. B. Ninh

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**David Hook** is a senior public sector governance specialist who has worked for the World Bank, bilateral development agencies, and departments of finance and treasury. He has advised governments in South East Asia and the Pacific on public financial management, civil service reform and anti-corruption initiatives. **Tin Maung Than** is a senior research fellow and director of training and communication at the Centre for Economic and Social Development (CESD), one of the centers of Myanmar Development Resource Institute (MDRI). **Kim N. B. Ninh** is The Asia Foundation's country representative in Myanmar. She is a governance specialist with expertise in institutional reform, center-local relations, and political culture.

The **Myanmar Development Resource Institute's Center for Economic and Social Development** is an independent think-tank dedicated to the economic and social transformation of Myanmar. The Center undertakes participatory policy research studies related to economic reform, poverty-reduction, sustainable development, and good governance in Myanmar. It also provides training and education services for key institutions and organizations contributing to the ongoing process of reform.

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We have tried our best to reflect these views in this paper, with a goal of contributing productively to the ongoing public dialogue on public sector reform in Myanmar. Earlier drafts of this research paper benefited from thoughtful comments from David Steinberg, Ian Porter, Soren Davidsen, Graham Tesky, and Matthew Arnold. Research support was ably provided by Ye Thu Aung and Thi Dar Nwe from The Asia Foundation and Kyi Pyar Chit Saw and Win Po Po Aung from the Center of Economic and Social Development of the Myanmar Development Resource Institute. Finally, we also would like to thank the Australian Department of Foreign Affairs and Trade and the United Kingdom Department for International Development for their financial support for this research.

The views expressed in this paper are our own, and any shortcomings in substance or analysis rest, therefore, with the authors.

David Hook  
Tin Maung Than  
Kim N. B. Ninh

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## Abbreviations

ADB	Asian Development Bank
AFPFL	Anti-Fascist People’s Freedom League
ASEAN	Association of Southeast Asian Nations
BSP	Burma Socialist Programme Party
CPIA	Country Policy and Institutional Assessment
GDP	Gross domestic product
IMF	International Monetary Fund
NLD	National League for Democracy
OECD	Organization for Economic Cooperation and Development
SLORC	State Law and Order Restoration Council
UCSB	Union Civil Service Board
UN	United Nations
UNDP	United Nations Development Programme
USDP	Union Solidarity and Development Party

## Glossary<sup>1</sup>

1.	<b>Act</b>	Law that has been adopted or passed by Parliament.
2.	<b>Accountability</b>	When ministers and government officials are required to provide explanation and take responsibility for their actions.
3.	<b>Authoritarianism</b>	A form of government where the rulers demand unquestioning obedience from the ruled. This often refers to rule by a military regime that frequently resorts to repression. See: DEMOCRACY
4.	<b>Budget</b>	The government's annual plan of income and expenditure. See: FISCAL POLICY
5.	<b>Bureaucracy</b>	The body of civil servants or officials who administer the central government. See: CIVIL SERVICE
6.	<b>Cabinet</b>	A committee of ministers the president has appointed to lead government ministries.
7.	<b>Central ministries</b>	The ministries with responsibility for policy and program coordination across government. In Myanmar, this includes the Office of the President, Union Attorney-General's Office, Union Civil Service Board, Ministry of Finance, Ministry of National Planning and Economic Development, and Ministry of Home Affairs. See: LINE MINISTRIES
8.	<b>Civil servant</b>	Employee of a government ministry, engaged under a civil service act, typically in an administrative or clerical role. In some countries, the term public servant is used instead. In Myanmar, the civil service act also applies to other government employees such as police, health workers and teachers. See: GOVERNMENT EMPLOYEE
9.	<b>Civil Service</b>	The government ministries that administer the country. The India Civil Service, a precursor of the Burma Civil Service, was one of the first modern civil services in the world. It featured a career civil service, competitive entrance exams, and promotion on the basis of merit. Civil servants were divided into an administrative class that filled policy and managerial positions, and a clerical class that carried out routine work. The civil service, as a permanent institution of government, was expected to be politically neutral, and able to serve governments in implementing their policies. In some countries, the term 'public service' is used instead of civil service. See: BUREAUCRACY
10.	<b>Constitution</b>	The legal foundation of the state that establishes the rights of citizens and the structure, powers and duties of government.
11.	<b>Corruption</b>	The use of official positions for private gain.
12.	<b>Decentralization</b>	Transferring government functions from the center to local areas. A contrast is sometimes drawn between <i>decentralization</i> , where functions are transferred from one level of government to another (e.g. from the Union Government to a state government), and <i>deconcentration</i> where

<sup>1</sup> International IDEA and the Local Resource Centre have put together a useful glossary of democratic terms in the Myanmar language that can be consulted online at [www.democraticglossary.org.mm](http://www.democraticglossary.org.mm).



		functions are delegated within an existing ministry (e.g. from the Ministry of Education in Nay Pyi Taw to its offices in the states and regions).
13.	<b>Delegation</b>	The passing of authority or responsibility to a person or institution to carry out a task or assume a role.
14.	<b>Democracy</b>	A system of government by the people or their elected representatives. See: AUTHORITARIANISM
15.	<b>e-Government</b>	Government services made available to the public by electronic means such as the Internet.
16.	<b>Executive</b>	The branch of government that implements the laws passed by Parliament. See: LEGISLATURE; JUDICIARY
17.	<b>Federalism</b>	A form of government that shares sovereignty as well as power between different levels of governments within a single country.
18.	<b>Fiscal policy</b>	Government policy regarding the use of government revenues and expenditures to manage the economy. See: BUDGET
19.	<b>Gazetted officer</b>	A commissioned civil servant, recognized as a member of the civil service by the Union Civil Service Board.
20.	<b>Governance</b>	The theory or practice of governing.
21.	<b>Government employee</b>	An employee of the government who may work as a teacher, health worker, police officer, or state enterprise employee. This is a wider category than civil servant, which tends to refer to clerical and administrative staff in government ministries. See: CIVIL SERVANT
22.	<b>Legislation</b>	The process of lawmaking; the body of enacted law.
23.	<b>Judiciary</b>	The branch of government concerned with the system of justice. See: LEGISLATURE; EXECUTIVE
24.	<b>Legislature</b>	A branch of government such as Parliament that enacts laws. See: EXECUTIVE; JUDICIARY
25.	<b>Line department</b>	A department responsible for the delivery of services to the public on behalf of the executive government. See: CENTRAL MINISTRY
26.	<b>Meritocracy</b>	A system of government under which officials are recruited and promoted primarily on the basis of their ability rather than through influence or their ethnic, gender, or social status.
27.	<b>Nationalization</b>	The act of taking control of a privately-owned enterprise or even an industry by the state.
28.	<b>Parliamentary committee</b>	A group of members of Parliament assigned to report to Parliament on a particular matter.
29.	<b>Policy analysis</b>	Analysis of a policy problem that states the nature of the problem, leading to options for addressing it.
30.	<b>Policy paper</b>	Statement of a government's policy intention on a particular topic.

31.	<b>Procurement</b>	The process whereby government purchases goods or services, starting with identifying needs and ending with contract completion.
32.	<b>Privatization</b>	The act of transferring to private ownership a state-owned enterprise. See: NATIONALIZATION
33.	<b>Public finance</b>	The management by government of public revenue and public expenditure.
34.	<b>Public interest</b>	The common good of society as a whole, in contrast with the particular or selfish interests of individuals.
35.	<b>Public policy</b>	Public policy is the course of action decided upon by government to achieve certain outcomes which involves political choices. Governments usually make policy through a sequence of steps involving ministers, advisers, civil servants, and others.
36.	<b>Public sector</b>	The public sector comprises government, in general, as well as all financial and non-financial entities such as banks and state enterprises that are majority-owned by the state.
37.	<b>Rule of law</b>	The principle that designates everyone equal before the law and that no individual is above the law. It also establishes that government, including its ministers and civil servants, must govern according to law.
38.	<b>Separation of powers</b>	The principle that power should not be concentrated in any one part of the government, but should be separated among the legislative, judicial and executive branches.
39.	<b>Statutory authority</b>	An agency of the government, created by an act of government.
40.	<b>Strategy</b>	A broader approach to realize a particular vision or policy goal, leading to a long-term plan of action.

## Timeline

- 1886 **British India** – Burma administered as a province of British India. Many laws from this era continue to have an important influence on post-colonial public administration, e.g. the Burma Village Act of 1907.
- 1935 **Government of Burma Act** – The Burma Civil Service and Civil Service Commission are established.
- 1937 **Self-Government** – Burma gains limited self-government within the British Empire. Doctor Ba Maw becomes the first Burmese Prime Minister.
- 1942 **Japanese Occupation** – The Japanese army occupies Burma from 1942 to 1945. In 1943, Japan grants Burma independence under Doctor Ba Maw. The war destroys the country's towns and infrastructure.
- 1944 **Anti-Fascist People's Freedom League** – The AFPFL is formed to prepare for the Allied invasion of Burma.
- 1945 **British Military Administration** – The British military re-impose control over Burma from May to October 1945.
- 1947 **Panglong Conference** – Shan, Kachin, and Chin ethnic leaders meet with General Aung San and other members of the interim Burmese government on the independence struggle from Britain and the future of the country after independence
- Constitution** – The first national elections. A constituent assembly approves a constitution for independent Burma that provides for a parliamentary democracy with a federal structure. General Aung San is assassinated.
- 1948 **Independence** – The Union of Burma becomes an independent republic. U Nu is the first Prime Minister. Civil war breaks out six months later. Martial law is in force from 1948 to 1950.
- 1951 **Welfare State** – The first elections since independence. Prime Minister U Nu wins on a welfare platform (*Pyidawtha*). The democratic governments of 1951–1958 initiate several reviews of the public sector.
- 1956 **Elections** – The second elections since independence. U Ba Swe becomes prime minister.
- 1958 **Caretaker Government** – General Ne Win declares a 'caretaker government' and takes over as prime minister from 1958 to 1960 in response to intensifying conflict between factions within the Anti-Fascist People's Freedom League.
- 1960 **Elections** – The third elections since independence. U Nu returns to power as Prime Minister.
- 1962 **Revolutionary Council** – General Ne Win carries out a coup d'état and rules through the newly established Revolutionary Council, the supreme governing body composed of senior military officers. The Revolutionary Council's guiding framework is embodied in the "Burmese Way to Socialism," and the only legal political party allowed is the Burma Socialist Programme Party.

- 1971 **BSPP Congress** – The first congress of the Burma Socialist Programme Party is held, marking its transformation into a ‘mass party’.
- 1972 **Secretariat abolished** – The Revolutionary Council ends the Secretariat model of civil administration.
- 1974 **Constitution** – A new constitution adopts a ‘People’s Democracy’ model with a highly centralized and administered state.
- 1988 **SLORC** – Mass protests bring down the BSPP government. The State Law and Order Restoration Council seizes power under General Saw Maung and suspends the constitution.
- National League for Democracy** is established in the aftermath of the mass protests.
- 1990 **Elections** – In the face of popular protests, the military regime concedes parliamentary elections that are won by the National League for Democracy. The results are then ignored by the SLORC.
- 1991 **Nobel Peace Prize** – Daw Aung San Suu Kyi is awarded the Nobel Peace Prize.
- 1992 **New SLORC Leader** – Senior General Than Shwe replaces General Saw Maung as chairman of the SLORC.
- 1993 **USDA** – The Union Solidarity and Development Association is established.
- 1997 **SPDC** – The State Peace and Development Council replaces the SLORC.
- 2005 **Nay Pyi Taw** – The political and administrative capital is moved from Yangon to Nay Pyi Taw.
- 2007 **Saffron Revolution** – Popular protests break out in cities and towns across Burma, in many cases led by members of the Buddhist Sangha.
- 2008 **Constitution** – A referendum is conducted on the SPDC-drafted constitution. Cyclone Nargis devastates coastal areas and the Irrawaddy Delta.
- 2010 **National League for Democracy** – Daw Aung San Suu Kyi, leader of the NLD, is released from house arrest which she has been under for various lengths of time since 1989.
- 2011 **Elections** – A quasi-civilian government is formed by President U Thein Sein following national elections contested by the USDP and other parties, but is boycotted by the NLD.
- 2012 **By Elections** – Elections are held to fill vacant seats in Union and state/region Parliaments. The NLD decides to contest the elections. Its candidates win 43 of the 44 seats contested, with Daw Aung San Suu Kyi becoming a Member of Parliament.
- 2013 **Reforms** – President U Thein Sein delivers speech at Chatham House declaring that Myanmar is in transition from authoritarian to democratic government. Political prisoners are freed. Media are liberalized.
- 2015 **Elections** – National elections are scheduled for late 2015.
- Permanent Secretaries** – Permanent secretaries are reintroduced into the ministries as the top civil servants.

## Executive Summary

Myanmar has captured the world's attention with its transition away from authoritarian military rule towards democracy. Since 2011, a series of major reforms have seen the country move from a repressive political system to one that is more focused on people-centered development; from a state-dominated to a market-oriented economy; from decades of ethnic conflict towards a nationwide ceasefire and political dialogue; and from regional isolation to re-engagement in global affairs.

This process of political and economic transformation has been accompanied by calls for reform of the public sector in Myanmar from many quarters. Political parties have taken to the streets over constitutional reform; students have marched to demand changes to the National Education Law; farmers have protested for land rights; and urban residents have complained about frequent power outages. Public expectations of government are rising, and demands are more visible, given the greater space for public expression in recent years.

Outspoken criticism of the public sector, however, has also come from some surprising sources. President U Thein Sein and his senior ministers have delivered a series of, at times, blistering speeches calling for a change in the 'mindset' of government officials.

In July 2013, the president delivered an historic speech in London where he set out his government's ambitious reform agenda. "I speak to you at a pivotal moment in the history of Myanmar," he said. "We are aiming for nothing less than a transition from half a century of military rule and authoritarianism to democracy." In meetings with senior government officials in 2014, he emphasized that corruption still plagued the civil service and that civil servants must transform their way of thinking and working.

In this context, The Asia Foundation and the Centre for Economic and Social Development of the Myanmar Development Resource Institute embarked in 2014 on a research initiative on public sector reform. This is a critically important subject for the country's political and economic transition, but it is also difficult to consider, given its broad scope and its multi-dimensional impacts on everyone. Our research goal is to make the subject more intelligible to non-specialist, but interested readers, in order to contribute to a more informed public dialogue on public sector reform in Myanmar.

In preparing the report, the research team spoke to government officials, parliamentarians, policy advisors, civil servants, newspaper editors, farmers' and workers' unions, and civil society activists in Yangon and Nay Pyi Taw who generously shared their thoughts with us. We discovered that reform-minded people across the political divides actually shared much common ground, and more than polarized party political debates or news articles sometimes suggest. Political trust is, however, a precious commodity, and one of the greatest challenges for the reform process is to restore trust between the government and the public.

Our research provides an explanation of what is meant by the public sector in Myanmar, examines what can be learned from the history of public sector reform going back to the time of General Aung San, considers some strengths and weaknesses of the public sector in Myanmar, and presents some options and a framework for thinking about reform as effective change.

### The Public Sector

When we speak of the public sector in Myanmar we are referring to the Union Government, the state and region governments, Union territories, and the state economic enterprises. The 2008 Constitution of Myanmar sets out three branches of the state: the executive, the legislature, and the judiciary. Our focus here is on the executive.

Myanmar has the formal attributes of a federal system of government, and the 2008 Constitution lists the powers of the Union, state and region governments. At the moment, however, most powers still remain with the Union Government. State and region governments have very limited powers, and these are restricted mainly to matters of local infrastructure and local economic activities.

The country's administrative structure is set out in the Constitution. The Union consists of 14 states and regions. States and regions are constitutionally equivalent— with 'state' referring to areas where the ethnic minority communities are generally located, and 'region' referring to areas where the Bamar majority resides. States and regions comprise, on average, 4 or 5 districts, with 74 districts in total. Districts comprise 4 or 5 townships on average, with 330 townships in total. Townships consist of wards in urban areas and village tracts in rural areas.

The public sector delivers core functions of government such as economic management, public infrastructure, health, education and welfare services. It also includes government business enterprises such as Myanma Oil and Gas Enterprise. In Box 1, we list 12 'fast facts' about the public sector in Myanmar today.

In many countries, public sector employees are divided into civil servants and other government employees. Civil servants work for government ministries in public administration. Other government employees include state enterprise workers and sometimes also personnel such as teachers, health workers and police. In Myanmar, however, all public sector employees come under the Civil Service Personnel Act.

#### **Box 1: Twelve 'Fast Facts' about the Public Sector in Myanmar**

1. The public sector comprises nearly one million employees.
2. The Ministry of Education has the most personnel (38%), followed by the agriculture, forestry and fisheries ministries (12% combined), the Ministry of Home Affairs (11%), and the Ministry of Health (7%).
3. Myanmar's public sector has historically been small compared to other countries in Southeast Asia.
4. Public revenue has recently doubled to 23% of GDP, mainly due to new petroleum revenues.
5. Public spending has also doubled, though health and education still comprise just 5.4% of the budget.
6. Forty-four state economic enterprises account for 7% of GDP, less than the international average of 11%.
7. State economic enterprises generate two thirds of public revenue.
8. Myanmar's tax-to-GDP ratio, at 3.3 to 7.4%, is one of the lowest in Asia.
9. Myanmar has a federal-style system of government with Union, and state and region governments.
10. Myanmar is one of the more centralized states in Asia, with the Union Government formally transferring just 12% of total public expenditure to the states and regions in 2014.
11. As yet, state and region governments do not have civil services to administer their expenditures.
12. Myanmar does not have an elected third tier of government below the state and region governments that in some countries is known as 'local government'.

#### **Reform of the Public Sector**

When we talk about public sector reform we are speaking about activities that drive systemic and sustained improvements in the public administration of the state. We focus on the quality and effectiveness of public sector management and institutions, and the appropriate role of the state in society. In Box 2, we list some typical reform goals.

#### **Box 2: Public Sector Reform Goals**

In many countries around the world governments have been trying to find ways to make their public sectors more effective. Some typical public sector reform goals are to:

- Sustain public spending

- Improve service delivery
- Increase efficiency and value for money
- Increase transparency and accountability
- Strengthen the strategic management of government
- Decentralize functions to sub-national government
- Improve public sector leadership and management
- Engage citizens
- Improve the corporate governance of state economic enterprises

One of the main expectations that people have of government today is that it improves living standards. When government performance is measured using an outcome indicator such as UNDP's Human Development Index, Myanmar ranks relatively low. When performance is measured using a process indicator focused on the quality of public sector management, Myanmar still ranks below its near neighbors (see Table 1).

**Table 1: Measuring Government Performance using Outcome and Process Indicators**

Indicator	Myanmar	Neighboring Countries
<b>Income</b> Gross national income per capita (US\$ Purchasing Power Parity)	3,998	Thailand 13,364
		Vietnam 4,892
		Lao PDR 4,351
		Cambodia 2,805
		Bangladesh 2,713
<b>Human Development</b> UNDP Human Development Index 2014 (Ranking out of 187 countries)	150	Thailand 89
		Vietnam 121
		Cambodia 136
		Lao PDR 139
		Bangladesh 142
<b>Quality of Public Sector Management and Institutions</b> World Bank Country Policy and Institutional Assessment 2013 (Low=1, High=6)	2.7	Vietnam 3.5
		Lao PDR 3.1
		Bangladesh 2.9
		Cambodia 2.8

In Myanmar, the government of President U Thein Sein has already started to reform the public sector. As part of its 'people centred development' agenda, the government is decentralizing decision making from Nay Pyi Taw to states/regions, districts and townships. Despite the initial reluctance of some central organizations and government ministries, township committees have been created with some members drawn from society to ensure greater public voices in decision making.

The government has been successful in reducing the price of mobile phone calls and making mobile phones available to many more people. The monopoly of the Ministry of Communication and Information Technology was ended recently and the market opened to two new international telecommunication companies.

The government has also been successful in cutting 'red tape' for business and citizens by streamlining 'business processes' in some ministries. For example, in 2014, the Ministry of Immigration slashed passport issuance time from 21 days to 10 days, cut in half the required fee, and opened 15 additional passport offices in the states and regions, in addition to the two existing offices in Yangon and Mandalay. This reform is important given the severely restricted freedom of movement in Myanmar for many decades, and for opening up opportunities for citizens who want to work or study abroad.

The government would also highlight a number of other reforms that have not received much public attention but are important for improved public administration. These reforms include: the Central Bank of Myanmar Act, the new public finance management strategy, the new Finance Commission, the new Anti-Corruption Act, the new Civil Service Personnel Act, and new cabinet processes.

If we view public sector reform in the context of Myanmar's transition from authoritarianism to democracy, then the following characteristics of the country's public sector are of particular interest.

- The military rule of more than half of the period between 1948 and 2008 has left a legacy of governing by directives and commands, rather than by public administrative law and institutional practices.
- The 'discipline-flourishing democracy', established by the Constitution of 2008, assigned control over important ministries such as Defence, Home Affairs, and Border Affairs to the military, rather than to the civilian government.
- The General Administration Department within the Ministry of Home Affairs acts as the 'steel frame' of the government. It plays a key coordinating role in a public administration that is highly fragmented across the ministries.
- The state and region governments have very limited legislative or revenue powers according to Schedules Two and Five of the Constitution. One of the most important questions for future public sector reform in Myanmar is how best to distribute functions between the Union Government and the state/region governments.
- The budget process at present provides Parliament and the public with minimal information about public finances and limited opportunities to influence budgetary outcomes. The budget needs to be restored to its position as the government's most important statement of public policy and accountability.
- Patterns of public expenditure were distorted by a succession of authoritarian governments. Despite the positive changes made by the current government, Myanmar continues to have high military and capital expenditures and low health and education expenditures.
- Low government tax revenue indicates a generalized weakness in state capacity. As indicated above, at just 3.3 to 7.4%, Myanmar has one of the lowest tax-to-GDP ratios in Asia. This suggests a lack of capacity in tax administration and problems with corruption. In some countries it also indicates that citizens lack trust in government.
- The public generally perceives that in the past, civil service recruitment was not merit based because in many ministries, former military officers occupy almost all senior civil service positions. An inclusive civil service that reflects the diversity of the entire population of Myanmar could help restore public trust.
- The policy function of the civil service is weak. Under the authoritarian governments, policy was formulated by the party during the People's Council era, and by the military after they seized power in 1988. In recent decades, the ministries have not played much role in policy formulation.
- State enterprises would benefit from improved corporate governance. Better management, auditing, and reporting structures would help to make state enterprises and military-controlled holding companies more effective. These improvements would also reduce 'crony capitalism' and other forms of corruption that were rampant under past authoritarian regimes.
- The oil and gas sector has recently become important for Myanmar. Since 2011, due to oil and gas production, public revenue has doubled to about 23% of GDP. Strengthening governance structures in the natural resource sector now could stop oil and gas production from turning into a 'resource curse' that leads to greater inequality and corruption.

By looking at public sector reform in Myanmar from the perspective of a transition from an authoritarian to a democratic system, we can see much common ground among reform-minded people across the political spectrum. In the section below, we draw on some of the characteristics of the public sector to set out some options for its reform.



## Lessons for Public Sector Reform

Where should one start with reform? This is a challenge for any government when embarking on public sector reform. Myanmar has many urgent reform priorities, which makes the question of where to start even more pressing.

Myanmar has much to learn from other countries' experiences with public sector reform. Some countries in the region, such as South Korea and Indonesia, have undergone successful transitions from authoritarianism to democracy. Other countries, such as Malaysia and Singapore have achieved economic and social progress with public administration traditions similar to those of Myanmar.

Technical experts from around the world have useful advice for Myanmar on how to sequence reform. In Myanmar, this advice is included in the Framework for Economic and Social Reform published in 2013. Lessons from the transition of the former 'People's Democracies' of Europe are also relevant because in the 1970s and 1980s, Myanmar modeled its public administration on countries such as East Germany and Czechoslovakia.

We believe very strongly, however, that Myanmar also has much to learn from its own too-often-forgotten history of public sector reform (see Box 3). Myanmar's first Prime Minister, U Nu, led a country attempting a transition from colonial authoritarianism to democracy. The colonial state was highly centralized, obsessed with maintaining order, and spent little on public services. The economy was structured to benefit a minority, and not to distribute wealth more widely.

Myanmar's rich experience of public sector reform can be divided into four eras: 1) post-independence democratic governments from 1948 to 1962; 2) the Revolutionary Council years from 1962 to 1974; 3) the Burma Socialist Programme Party rule from 1974 to 1988; and 4) the military regime from 1988 to 2011. While there were many changes over these years, there was also much continuity. The Secretariat system of the civil service, for example, was only dismantled in 1972.

### Box 3: Learning from Myanmar's History of Public Sector Reform

Many of the key challenges facing public administration from 1948 to 2011 are still relevant today. How to build effective state institutions? How to decentralize decisions from Nay Pyi Taw to the townships? Which public service responsibilities to delegate to state and region governments? How to manage the corporate governance of state economic enterprises? If we look to Myanmar's history, then we would do well to learn from the following experiences:

- The civil service Secretariat model with permanent secretaries from 1948 to 1972
- The post-independence state governments from 1948 to 1962
- The State Enterprise Boards from 1948 to 1962
- The decentralization reforms from 1948 to 1988
- The transition from the Public Service Commission to the Union Civil Service Board from 1948 to 2011

One of the most tragic lessons from this history is the terrible toll that 60 years of civil war has taken on Myanmar's society and economy. Myanmar entered the 20th Century as one of the richest societies in Asia; it entered the 21st Century as one of the poorest. Recurring conflict has seriously distorted the public sector in Myanmar and contributed to the rise of authoritarian governments.

For these reasons, we believe that a sustained peace settlement is an essential precondition for a successful transition from authoritarian to democratic forms of public sector governance. It is also true, however, that public sector reform can, in turn, contribute to restoring public trust in government by transforming civil-military relations, as well as relations between the Bamar and the other ethnic and religious groups in the country.

## Options for Public Sector Reform in Myanmar

We have prepared below a matrix of options for public sector reform that draw on lessons from Myanmar’s history as well as recent reform experience. We do not offer these options as a comprehensive plan for the future; that would require much additional work and time to produce. Rather, we take the pragmatic view that specific reforms are urgently needed and should be implemented now. As such, we highlight some pressing problems that can be tackled immediately so that the reforms can broaden and deepen over time.

This brings us to our final point: the participation of the public. We believe strongly that public sector reform is an issue that concerns everyone in Myanmar. We hope that all stakeholders in Myanmar—those in the government, Parliament, political parties, media, private sector, as well as civil society—will find this paper helpful in taking forward the discussion of public sector reform already underway in the country. Likewise, we hope that the international development community will also find our research findings useful for program considerations.

**Table 2: Options for Public Sector Reform in Myanmar**

#	Public Sector Reforms	Reason	Examples
1	Strengthening the center of government	Good leadership is necessary for reforms to succeed. The Office of the President provides political leadership, strategic direction, policy coordination, public communications, and reform tracking across the entire government.	Strengthen the policy capability of the civil service by establishing reform policy units in the Office of the President.  Expand public communications of the Office of the President to provide the public with better information on the progress of reforms.
2	Progressing public finance reform	The government can achieve quick wins by managing public finances better, redirecting money to where it is most needed and improving tax collection.	Improve the budget process so that Parliament and the public have access to information and can contribute to government decision making on public revenue and expenditure.  Strengthen the Ministry of Finance role to provide line ministries with policy direction on budgets.
3	Promoting a professional civil service	A modern, professional and inclusive civil service that reflects the ethnic and religious diversity of the country is an important step towards restoring public trust in government.	Open civil service positions to all Myanmar citizens by improving merit-based recruitment and promotion practices.  Ensure civil service training reflects the new democratic values of the constitution and promotes the rule of law.  Review civil service salaries and grade structures.

4	Consolidating state and region government	Establishing effective state and region governments is an important contribution towards effective and responsive governance and a sustainable peace settlement.	<p>Establish a taskforce in the Office of the President to fast track policy on Union, state and region government responsibilities in a sector such as education.</p> <p>Prepare draft amendments to Schedules One and Two for Parliament's constitutional committee to consider.</p>
5	Improving service delivery	The government needs to demonstrate that the reforms translate into better public services in sectors like health, education, water and sanitation, irrigation, and roads.	<p>Introduce a public complaints mechanism that citizens can access at the level of the township administration.</p> <p>Establish basic performance information systems so that cabinet can track progress in service delivery.</p>
6	Supporting clean government	Overcoming widespread corruption can help both to restore public trust in government and to improve service delivery.	<p>Improve tax administration practices to cut corruption and end widespread tax evasion.</p> <p>Reduce waste by ensuring government ministries follow competitive procurement practices.</p>
7	Reforming state economic enterprises	State economic enterprises make a significant contribution to Myanmar's economic and social development.	Improve corporate governance practices for state economic enterprises, including those in the oil and gas sector, as well as military-controlled holding companies to make them more effective and accountable.

## Introduction

In July 2013, President U Thein Sein travelled to London to deliver an historic speech to an international audience at Chatham House, eager to listen to the new leader's plans for his country's future. The onlookers were not disappointed.

"I speak to you", said the President, "at a pivotal moment in the history of Myanmar. We have embarked on a transformation that I believe is unparalleled in modern times. We are aiming for nothing less than a transition from half a century of military rule and authoritarianism to democracy. We cannot allow this transformation to fail."

What was striking about the country's reform agenda to independent observers at the time of the speech was the sheer scope of its ambition, which has few international comparators. The reforms had already been far reaching and the promise of further reform, including democratic elections in 2015, had created a climate of hope.

Many of the repressive policies of Senior General Than Shwe's previous military regime were overturned, and thousands of political prisoners freed. Restrictions had been lifted on the media and the Internet, as well as on the right to protest and freedom of association. Political exiles had been invited to return to Myanmar, and former critics of the regime were now advising the president on social and economic reforms. While success in implementing these laws and policies has been mixed, it is important to note the speed and scope of political liberalization in comparison with other countries in the region.

Aung San Suu Kyi, the leader of the main opposition party, the National League for Democracy (NLD), was released from house arrest in 2010. Previous electoral laws barring parties with members who had been convicted were overturned, allowing the NLD to re-register as a political party. In the parliamentary by-elections of April 2012, the NLD won 43 of the 44 seats it contested.

President U Thein Sein also had made a significant effort to push forward the peace process. By August 2013, the government had achieved ceasefires with 14 armed groups which had been fighting the government since independence in 1948. In March 2015, a tentative agreement was reached on a draft Nationwide Ceasefire Agreement (NCA) by representatives of the government, 16 ethnic armed groups, Parliament, and the military. While a final NCA has yet to be signed, reaching an agreement on the draft NCA is a significant achievement and hopefully will help pave the way toward the critically-needed political dialogue.

In the economic realm, the exchange regime had been stabilized, international debt restructured, many economic sanctions have been lifted, and foreign investment laws and policies have been liberalized. The telecommunications sector has been reformed, ending the monopoly of the Ministry of Communication and Information Technology. Through an open international tender, Norway's Telenor and Qatar's Ooredoo are now providing competitive mobile phone services to the public, bringing much greater access to information to many, while lowering the cost of doing business.

These reforms, so impressive to international observers, are not as highly rated by many critics of the government, however. The reasons for this skepticism vary, but it reflects a fundamental distrust of the Tatmadaw (Myanmar Armed Forces) who still directly control three key ministries (Defense, Home Affairs, and Border Affairs) and have a guaranteed 25% of parliamentary seats as established in the 2008 Constitution, which effectively provides them with veto power over any constitutional reform. The mixed results of the government's implementation of reforms have also contributed to public dissatisfaction.

On the positive side, the widely divergent views about whether reforms are 'real' or 'fake' are now openly debated in the national media, something that would have been unthinkable only three years ago. (See Box 4 for an example of vigorous public debate).

**Box 4: Are government reforms 'real' or 'fake': a live television debate**

The Democratic Voice of Burma, the long-exiled media organization, televised a live debate nationwide in December 2014 on one of the most hotly-discussed questions in Myanmar. "How genuine are Burma's reforms?"

In one camp were U Zaw Htay from the Office of the President and U Tin Maung Than from the Myanmar Development Resource Institute's Centre for Economic and Social Development (MDRI-CESD) who argued that the reform process was real and potentially far-reaching. In the other camp were U Aung Kyi Nyunt and U Phae Than from the national Parliament who argued that the reforms did not go nearly far enough and were blocked by article 436 that guarantees the military a veto over constitutional reform.

U Zaw Htay opened the debate by saying that government reforms had created a 'Myanmar Spring' and that market reforms were starting to bear fruit. Economic sanctions against Myanmar had ended, and the country was no longer isolated from the international community.

U Phae Than argued against this optimistic view by asking how the reforms had benefited ordinary people. He said that there has been no improvement in the lives of farmers and workers. "If this is reform, then we are only at the beginning." U Aung Kyi Nyunt agreed. "The people are suffering from poverty, and that's why we need urgent change now."

U Tin Maung Than asked that people be more realistic about the pace of change. International experts have said that the speed of reforms in Myanmar is faster than the country has the capacity to carry out. Major changes such as the peace process will take time.

U Aung Kyi Nyunt called for further political changes. He criticized Section 436 that allows the military to block further reform. He said that the constitution is far from achieving federalism. U Phae Than agreed, challenging the president's direct appointment of chief ministers in states and regions. "Even though the Rakhine Party won," he said "the chief minister is from the [ruling] Union Solidarity and Development Party (USDP), not the Rakhine Party."

U Zaw Htay responded to these criticisms. "The constitution is already a form of federal system, with state and region governments and parliaments." The problem, he said, is Schedules One and Two, which set out the powers of the Union, states and regions. "These issues are being discussed in Parliament. The military too is undergoing its own internal reform process."

U Phae Than pointed to the serious problem of land grabbing. "Businesses are granted 'virgin' land based upon out-of-date maps, when farmers have been working the land for years." U Zaw Htay acknowledged the problem. The government, he said, is working to introduce a new land use policy to put an end to these abuses.

U Zaw Htay made a passionate plea to move beyond always thinking of "us and them". The government chose to negotiate openly with the students demonstrating against the national education bill. People know that the previous government would not have done this, and he said it showed how much the government's approach had changed.

Source: Democratic Voice of Burma, broadcast December 2014

Where one stands on important national issues can influence one's thinking about public sector reform in Myanmar. Those who believe that reforms are 'fake' also believe that no significant change will occur until the Tatmadaw leave politics; they believe that most problems in the public sector stemmed from the Tatmadaw's dominance in the country's political and economic life. Conversely,

those who believe in the reforms emphasize that no matter which political party wins the 2015 elections, they will have to find solutions to the problems in the public sector.

Given the enormity of undertaking public sector reform in Myanmar and the country's historical legacy, the differences in views are not surprising. Addressing this political polarization is critically needed, however, because it hinders productive public discourse and agreement on what are the workable solutions for Myanmar.

The purpose of this paper, therefore, is to set out some of the issues involved in thinking about public sector reform in Myanmar and assist in establishing a common platform for dialogue on this important topic. The paper seeks to explain how reform of the public sector is an essential part of the transition from a form of authoritarianism to democracy, and to contribute towards increasing discussion in Parliament, the media and civil society on how to take Myanmar's reforms forward.

Chapter 1 looks at the history of public sector reform in Myanmar from the country's independence from the British Empire in 1948 to the start of the present administration in 2011. Too often, discussions about public sector reform in Myanmar look for answers in Asia and the wider world without learning from the country's own rich history of public administration. Many problems facing the government of President U Thein Sein also confronted the government of Prime Minister U Nu in the 1950s, and knowledge about the historical evolution of the public sector in Myanmar can help us understand important characteristics of the current system and which may be the most effective solutions for Myanmar's specific context.

Chapter 2 examines the public sector in Myanmar today. It explains what is meant by the public sector; summarizes the answers a number of people in Myanmar gave to the question, 'What does public sector reform mean to you?'; discusses what the constitution says about public administration; examines the role of Union government ministries, state and region governments, and state economic enterprises; and explores how public policy, public finance and the civil service are managed.

Chapter 3 looks at calls to reform the public sector in Myanmar. President U Thein Sein called for administrative reform as part of his 'Third Wave' of reforms, following the first and second waves of political and economic reforms, respectively. Opposition parties, ethnic minorities, and activist groups have also called for public sector reform at various times. International agencies such as the World Bank, the International Monetary Fund, and the Asian Development Bank have demonstrated the need for reform by analyzing the quality of public sector management. This chapter concludes with a discussion of some of the reform efforts already underway that can be further built upon by the next government.

Chapter 4 presents a framework for thinking about public sector reform in Myanmar. It starts from the premise that both the government and the opposition want to see Myanmar succeed in its transition from authoritarianism to democracy. It discusses some possible priorities for public sector reform that could assist with this transition. For comparison, some interesting and relevant examples of reform are presented from countries in East Asia and elsewhere in the world.

This paper was written for people in Myanmar with an interest in public sector reform and, as such, should concern every citizen. We also hope that members of Parliament, the private sector, media, civil society, and government find this paper helpful in conceptualizing public sector reform in Myanmar.<sup>2</sup>

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<sup>2</sup> Papers on aspects of public sector reform have been written by the Government of Myanmar, the World Bank, the International Monetary Fund, the Asian Development Bank, and United Nations agencies, as well as The Asia Foundation and the Myanmar Development Resource Institute's Centre for Economic and Social Development. Many of these papers were

To prepare this paper, interviews were conducted in Yangon and Nay Pyi Taw in November 2014 with a wide range of people: government officials, members of Parliament, political party representatives, senior policy advisors, former and serving civil servants, newspaper editors, and representatives of farmers', workers', and civil society organizations. We greatly appreciate the generosity and frankness of all those who shared their views with us. These thoughtful and passionate conversations gave us hope that the means for a successful transition from an authoritarian to a democratically-run public sector lies within reach of the citizens of Myanmar. This research shows that there is much more common ground among reform-minded people in Myanmar from diverse political backgrounds than political debates and the media would suggest. We hope we have accurately reflected their views in this paper.

Concerning the data presented in this paper, we have tried our best to gather information from multiple sources in order to provide to the reader a more concrete sense of the characteristics of the public sector in Myanmar. Data, however, is often difficult to access or insufficiently updated given the rapidly changing environment. The reader should take this into consideration in reviewing the report.

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written for technical specialists. For example, the Government of Myanmar's Public Financial Management Performance Report, prepared with support from the World Bank, provides an excellent analysis of the financial management system, which public finance specialists will appreciate.

## Chapter One: A brief history of the public sector in Myanmar

This chapter summarizes the history of public sector reform in Myanmar over four different eras.<sup>3</sup> Following independence, the first era of public sector reform from 1948 to 1962 was under a democratic government; the second era from 1962 to 1974, was under the Revolutionary Council; the third era from 1974 to 1988, was under the Burma Socialist Programme Party; and the fourth era from 1988 to 2011, was under the military regime.

Despite many changes occurring during these four eras, there was also much continuity. Many of the issues confronting earlier governments continue to be relevant to government today. In carrying out current reforms, much can be learned from history.

For example, Myanmar's first Prime Minister, U Nu, led a country attempting a transition from authoritarianism to democracy. The colonial state was highly centralized and obsessed with maintaining order. The 'steel frame' of British rule was the General Administration which had an India Civil Service Commissioner in charge of every division. U Nu tried—unsuccessfully—to reform the 'steel frame' by creating township welfare committees that sought to involve citizens in public administration.

The Revolutionary Council then tried—successfully—to reinforce the General Administration's 'steel frame' by appointing new security and administrative committees in every state and division as well as districts and townships. Over time, this has led to one of the striking features of the civil service in Myanmar today—the powerful General Administration Department that resembles the 'spine' or 'central nervous system' of Myanmar's bureaucracy. Rather than reporting to the civilian authority, the General Administration Department is under the Ministry of Home Affairs, which reports to the Commander in Chief of the Armed Forces.

There are lessons to learn, both positive and negative, from studying Myanmar's history of public administration. In 2014, for example, government advisers began to discuss the potential of reintroducing the post of 'permanent secretary' to the civil service in order to establish a clear distinction between the political role of ministers and the professional role of senior civil servants. Their model was the 'secretary' from the era of Myanmar's earlier democratic governments who was generally considered professional, impartial and technically competent. Reformers inside and outside the government also believe that the bureaucracy needs to improve key functions that have significantly atrophied over time, such as policy formulation, regulatory review, data collection, monitoring and evaluation, finance and human resource management, as well as improved interactions with the public.

Many in Myanmar, including members of Parliament, were concerned that appointing permanent secretaries could maintain the military's control as many of the high ranking potential appointees are transferred from the armed forces. Nevertheless, in April 2015, the government was able to gather enough support from the Parliament to appoint permanent secretaries to ministries who will have an expanded office of more than 160 staff. The hope is that this bold initiative will restructure and reinvigorate the bureaucracy to meet the new and demanding tasks of a modern and responsive government. This is a significant undertaking, however, and will require the next government's attention to ensure that necessary support and further restructuring, as well as oversight and

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<sup>3</sup> For historical background, this chapter draws on Michael Charney's *A History of Modern Burma* and Robert Taylor's *The State in Myanmar*. J.S. Furnivall's *The Governance of Modern Burma* provides an excellent overview of the structure of government and public administration from 1948 to 1962.



accountability mechanisms, will be in place for the 'permanent secretary' initiative to take hold and succeed in the long run.

Government ministers are also considering how to improve the corporate governance of state economic enterprises. Their model, again from the era of previous democratic governments, is often that of the state enterprise boards that were established by law. These boards placed state enterprises at arm's length from politicians and the civil service, and defined clear roles and responsibilities for their boards of directors.

By studying the history of public sector reform, one can also discover some of the larger forces that have shaped public administration in Myanmar. The most important determinant of the form of state administration in Myanmar has been the civil war that engulfed the country almost unceasingly, starting in 1948.

The civil war not only set back the country's development, but it also profoundly militarized state-civil society relations. One analyst has gone so far as to claim that "In twentieth century Burma, warfare created state institutions that in many situations cannot distinguish between citizens and enemies of the state." (Callahan 2005, p.3). As such, it can be argued that until Myanmar has sustained peace, the public sector will not be able to transition from an authoritarian to a democratic model.

## **Section 1. The Democratic Governments, 1948–1962**

Although it was a period of great political unrest, the years of democratic government still represent a 'Golden Era' in the country's history of public administration for many in Myanmar. The Constitution of 1947 provided a strong legal framework for democratic government, and the country's legal and administrative traditions were relatively well established.

The country's first Prime Minister, U Nu, attempted to transition the state from an authoritarian to a democratic model. The colonial state had been highly centralized, obsessed with maintaining order and spent little on public services. The economy was structured to profit a minority with few mechanisms to distribute wealth more widely. U Nu sought to expand and democratize the state with his welfare reforms and statist economic policies.

Unfortunately, Burma was already starting to experience the conflicts that would profoundly shape the evolution of public administration in the country. The civil war, with ethnic armies and the communist party, broke out soon after independence. The politics of U Nu's party, the Anti-Fascist People's Freedom League, became increasingly polarized and bitter as different factions turned against one another. An increasingly narrow and sectarian nationalism replaced the more inclusive Burmese nationalism of General Aung San.

The Constitution of 1947 established the legal framework for a democratic parliamentary system modeled on the "Westminster system" of the United Kingdom. There were two houses of Parliament, a Chamber of Deputies elected by universal adult franchise and a Chamber of Nationalities that ensured representation from the ethnic minority 'frontier states' that were agreed to at the Panglong Conference. The Prime Minister led a cabinet of ministers that comprised the government.

Myanmar's legal traditions and administrative structures are derived from the British colonial era. During British rule, from 1885, Burma was governed as a province of British India. Then, following the Government of Burma Act in 1937, Burma had a separate administration. Laws such as the Burma Village Act of 1907 and the Burma Municipal Act of 1898 formed the legal basis of public administration. More than half of Burma's 800 or so laws still date back to this era.

The Burmese Civil Service emerged directly out of the highly-regarded Indian Civil Service and initially maintained its high standards of public administration. The Public Service Commission continued to play a powerful role in recruitment. The structure of the Government Secretariat ensured that senior civil servants continued to exercise a powerful role in relation to ministers and their departments (see Box 5).

The new constitution created governments and (legislative) councils in the four states of Shan, Kachin, Karen, and Kayah, the seven predominantly-Bamar divisions, as well as Mon Division, and Chin Special Division. The remaining 'Frontier Areas' were administered by the Frontier Areas Administration Department. The 13 state and division councils had law-making powers. State and division governments had their own secretariat, i.e. a civil service to manage basic administration. The prime minister appointed the chief executive of each state and division, in consultation with its council.

#### **Box 5: Burma's Experience with Permanent Secretaries in the Civil Service**

The role of permanent secretaries during the democratic governments from 1948 to 1962 is discussed by J. S. Furnivall in his classic work, *The Governance of Modern Burma*. Under this system, the Chief Secretary occupied an extremely powerful position because he was also the Secretary of Home Affairs.

"In each Ministry there is a high official who has the title of Secretary to the Union Government in the Ministry to which he is assigned and who, in all that concerns his Ministry, is authorized to sign orders and other documents on behalf of the Government. If a Minister holds two or more portfolios there is a Secretary to Government for each; for instance, in the recent Government one member of the Government held charge of the Ministries of National Planning, Religious Affairs and Union Culture, and for each of these three distinct functions he had a separate Secretary to Government with a subordinate staff.

From British times the Secretaries have been known collectively as the Secretariat. This name is also given to the building in which most of them have their offices. Under British rule it provided ample accommodation for all the Secretaries; but ... growing pressure on space has made it necessary to find room elsewhere for other ministries.

The Secretary of Home Affairs holds primacy as Chief Secretary, and the Secretaries for Foreign Affairs and for Defence are distinguished as Permanent Secretaries because they are intended to specialize permanently in their own subjects; in the past, other secretaries were frequently transferred at short intervals from one Ministry to another but now these frequent transfers are unusual.

The Secretary to Government in any Ministry is the official to whom the Minister chiefly looks for advice on all matters that come within his province, for assistance in framing his policy in correct official forms, and for the efficient administration of his Ministry. The Secretary is usually called in to the Cabinet when matters concerning his Ministry are under discussion.

In many Ministries there are Additional Secretaries to whom specific responsibilities and departments are assigned. Next below these come the Deputy Secretaries, who may be allotted special functions or may occupy the position of a staff officer or personal assistant to the Secretary or to an Additional Secretary. Below the Deputy Secretary comes the Assistant Secretary, who is usually responsible for the details of administrative routine ... All these officers are drawn from the general administrative Civil Service in the districts, to which at any time they may revert" (Furnivall 1960, p.62).

The *Manual of Secretariat Procedure*, based upon the Burma Secretariat Office Act of 1908, was the standard reference manual for all matters relating to government in Burma. It documented relevant laws, regulations and standard operating procedures for all gazetted officers, who are recognized career civil servants.

The Secretariat model continued until the early 1970s when it was finally abolished by the Revolutionary Council.

Prime Minister U Nu attempted to transform the state in certain respects from an authoritarian to a democratic model of governance. In 1950, he presented his *Pyidawtha* (Welfare) Programme for state-led development and a welfare state. Over the next 10 years, according to Furnivall, there was a rapid expansion of the civil service. By 1960, the size of government had increased three-fold, with about 4,000 gazetted officers and 170,000 non-gazetted staff working for government ministries. New ministries, departments, boards, and corporations were created as the government expanded its role in the economy and social welfare.

U Nu introduced several reforms to bring about an 'independent, efficient and honest' public service, which he considered 'the network of nerves and tissues' of government. These reforms were based upon a series of reports on the civil service prepared by the Administration Reorganization Committee in 1951, the Enquiry Commission in 1955, and the Public Services Enquiry Commission in 1960. A new civil service act, a new grade structure and new management systems were proposed and relationships between ministers and permanent secretaries were reviewed. The Institute of Public Administration was established in the Ministry of Home Affairs to train new staff.

The government started to play an important role in the economy. State boards such as the State Timber Board, the State Inland Water Transport Board and the State Agricultural Marketing Board managed newly-nationalized businesses. Joint venture companies were created in many sectors, including petroleum. The Defence Services Institute, established by the military, quickly became the country's largest business, transforming itself into the Burma Economic Development Corporation. By 1960, according to Furnivall, about 100,000 people were employed by the various state boards and corporations.

The democratic governments of 1948 to 1962 have left an extremely important legacy for public administration in Myanmar. Many older people in Myanmar and scholars of public administration consider this as something of a 'Golden Era'. Many important lessons from this time can help to inform future reforms. These range from the role of the secretariat, to the corporate governance of state economic boards, to attempts at decentralization.

However, it is also important to acknowledge the divisive tendencies that started to emerge at this time which would continue to plague governments for the following 50 years. The descent into civil war started the long process of warping public administration. Civil war created an embryonic security state and warring camps polarized the country. Over time, this led progressively to highly militarized state-society relations, culminating in the rule of Senior General Than Shwe in 1992.

The civil war began the shift from General Aung San's open vision of Burmese nationalism towards a more narrow, Bamar Buddhist nationalism that, intentionally or otherwise, excluded many non-Buddhist ethnic minorities. Laws such as the 1961 State Religion Promotion Act were passed that led many Burmese citizens to conclude that state institutions, including the civil service, did not equally represent all the citizens of Myanmar.

The civil service, including the police and army, also became increasingly politicized. This intensified with the crisis of 1958, when factions within the Anti-Fascist People's Freedom League competed for control of state institutions. This politicization would ultimately be taken to its extreme under General Ne Win who fused the party and state structures.

Prime Minister U Nu himself admitted to the Public Services Enquiry Commission that "we introduced tendencies which had a disruptive effect on the independence of the civil service, and consequently on its efficiency and integrity" (Government of Burma 1961, p.4).

## Section 2. The Revolutionary Council, 1962–1974

The Revolutionary Council seized power in 1962. This marked the start of the country's transition towards a very different form of state administration that culminated in the fusion of party and state. Yet it is striking that many important features of public administration from the democratic era persisted throughout the Revolutionary Council years. These were abolished only when General Ne Win initiated a major restructuring of the state administration in 1972, which resulted in the pervasive penetration of the state into all aspects of the economy and civic life.

One of the first acts of the Revolutionary Council was the suspension of the democratic constitution. The Revolutionary Council appointed a cabinet consisting mainly of military officers. It founded a new political party called the Burma Socialist Programme Party, based upon an ideological platform set out in the "Burmese Way to Socialism." Two years after seizing power, General Ne Win announced the abolition of all other political parties. For the next 12 years, from 1962 to 1974, Burma experienced a form of extra-constitutional rule.

The Revolutionary Council established a Central Security and Administrative Committee, with lower-level security and administrative committees appointed in every state and division, district, township, ward, and village tract. In the first of many initiatives in Burma that saw the creation of parallel governance systems, the Central Security and Administrative Committee reported not through the minister of home affairs to the cabinet but directly to the chairperson of the Revolutionary Council. An 'administration within an administration' had been established. The state and division committees, led by military officers and supported by the civilian general administration, implemented the policies of government and coordinated government departments.

The Revolutionary Council significantly expanded the role of the military in public administration. Through the Security and Administrative Committees, the Tatmadaw now had a direct role in public administration. According to one analyst, "The wholesale reorganization of administrative structures and accompanying distribution of government positions to *Tatmadaw* officers had an enormous impact on the Ne Win regime and on Burma's political system. It allowed the *Tatmadaw* to penetrate into the government administrative bureaucracy" (Nakanishi 2013, p.167).<sup>4</sup>

The Revolutionary Council moved quickly to assert state control over the economy, extending the nationalizations of the democratic governments (see Box 6). The new government immediately nationalized the entire banking sector, followed by the import-export trade, and then the retail and wholesale sector. By the late 1960s, the Revolutionary Council had nationalized the textile factories, saw mills, chemical works, and food industries. Taylor estimates that by the early 1970s, 10% of the workforce was employed in state economic enterprises, and 40% of GDP was generated by the state sector. State control of the economy went even further than this, however, due to the state's direct regulation of private firms, and state management of foreign exchange used for capital investment and raw materials.

### Box 6: Burma's Experience of Managing State Economic Enterprises

After 1948, the newly independent government quickly established a system of corporations and boards to manage the large number of state economic enterprises. This was partly a continuation of the British military administration's practice to revive the economy following the devastation of the Second World War. It also reflected the outlook of Burmese nationalists who saw state ownership of banking, communications, commerce,

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<sup>4</sup> Nakanishi goes on to assert that "the outcome was a government administrative system that stagnated institutionally and in human resources, a major factor for the country's retarded political and economic development..."

and industry as the only way to wrest economic control from foreign capital. The rhetoric of socialism gave expression to this nationalist sentiment.

The more important corporations and boards included: the Industrial Development Corporation, Mineral Resources Corporation, State Timber Board, the State Agricultural Marketing Board, Government Spinning and Weaving Factory Board, Inland Water Transport Board, Union of Burma Railway Board, Union of Burma Shipping Board, Board of Management for the Port of Rangoon, Union of Burma Insurance Board, Union of Burma Bank, State Agricultural Bank, and Union of Burma Commercial Bank.

These institutions were constituted as autonomous agencies rather than government departments, primarily to exempt them from the requirements of the civil service and to allow them to conduct their affairs efficiently on the same basis as private enterprises. Each year, Parliament voted these institutions an appropriation to cover capital outlays and operating expenses. Also, before the next year's appropriation could be approved, the auditor-general audited the annual statements of accounts, which were submitted to Parliament with an annual progress report. The standing committee on public accounts reviewed the statement of accounts, the auditor-general's report and the annual reports of the state enterprises. At that time, the directors of the boards were appointed by the relevant minister and tended to be members of the government and other officials. A statutory provision usually delegated day-to-day management and operation of the institutions to technical experts, who in the 1950s were often foreign, as Burma lacked its own experts.

For example, the Mineral Resources Development Board managed the coal, copper, iron, and zinc mines. The act which constituted it stipulated that at least four of the board members should have specialist knowledge of the industry, marketing, finance, economics, or management. In practice, however, the board consisted of the Minister for Mines as Chairman, the ministers for finance, industry and labor, three secretaries to government, the financial commissioner for commerce, the chairmen of the Union Bank and the State Commercial Bank, with a government official as chief executive officer.

In the socialist period, the system of autonomous agencies ended and state enterprises were transformed into departments within their parent ministries. The distinction between state enterprise employees and civil servants was essentially abolished. The corporate governance standards set out in various state board acts increasingly fell into disuse.

Source: J.S. Furnivall, *The Governance of Modern Burma*.

The Revolutionary Council radically expanded the state sphere into all aspects of civil life. The government dissolved the independent university councils of the University of Rangoon and the University of Mandalay in 1962. It introduced increasingly intrusive controls over the media and progressively banned or nationalized many of the private newspapers. It also exerted state control over the Sangha (the community of Buddhist monks), going as far as to establish a Buddha Sasana Sangha Organization in 1965.

### **Section 3. The Burma Socialist Programme Years, 1974–1988**

The Burma Socialist Programme era starts with the Constitution of 1974 that declared Burma a 'Socialist Republic' and marked the return to civilian rule. State administration now took the form of a 'People's Democracy' with the fusion of party and state as its most striking feature. After the reforms of the 1960s, the 'public sector' was almost the same as society itself, with the state at the center of both the economic and civil realms.

The Constitution of 1974 declared Burma a 'Socialist Republic'. A People's Assembly replaced the Chamber of Deputies and Chamber of Nationalities. A State Council, elected from the Assembly, appointed a Chairman and Council of Ministers. The Burma Socialist Programme Party (BSPP) was now officially the party of the state. Increasingly, the party's own committees became as important, if not more so, than other state institutions.

The 'Socialist Republic' saw the final abolition of the model of civil service that Burma inherited at independence. A Revolutionary Council directive, Notification Number 97, formally terminated the model of the secretariat and the general administration that had been the central administrative apparatus of both the pre-war and the post-independence democratic government civil service. Declaring its desire to eliminate "bureaucratism", the government abolished the Secretariat Manual that had codified the laws, regulations and standard operating procedures of public administration in Burma.

As the BSPP transformed itself into a 'mass party', new party structures were established that came to rival the structures of the state administration. Workers' councils and peasants' councils were created at the village, township and district level. The civil service played less and less of a role in, for example, the formulation of public policy. Instead, this became the sole responsibility of party organs such as the BSPP's Central Committee.

The new constitution allowed for seven divisions and seven states at the sub-national level, but ended any distinctions in their governance structure. The relative autonomy previously given to states and divisions was revoked. There was now no government, no legislative council, and no secretariat at the state and division level. Instead, the Security and Administrative Committees of the Revolutionary Council era were formalized by the People's Council Act into State and Division People's Councils, marking yet another step in Burma's experiments with managing decentralization (see Box 7).

#### **Box 7: Burma's Experience of Managing Decentralization**

The highly centralized structure of the state in Burma has been a remarkably persistent feature of public administration from the colonial era, down through the democratic, 'socialist' and military eras. It is interesting to reflect on the early attempts at reform pursued in the post-colonial era and compare and contrast them with the reform efforts of General Ne Win and President U Thein Sein.

After the 1951 general election, the new government of U Nu convened the *Pyidawtha* (Welfare) Conference that proposed, among other things, plans to devolve administrative powers and democratize township administration. To further the devolution of administrative powers, the government of U Nu established a township welfare committee in each township, chaired by the township officer. Members of the committee included representatives of other ministries such as police, public works, cooperatives, agriculture, lands, health, and education, as well as four members of the public nominated by the Anti-Fascist People's Freedom League.

The township welfare committee was invited to submit a plan with a budget estimate to inform preparation of district and divisional plans. These were then submitted to the cabinet for consideration and inclusion in the national budget. Once Parliament had approved the budget, discretionary grants were made to the divisional committees, which disbursed funds to the township welfare committees, without further reference to the Ministry of Finance.

The divisional welfare committee supervised the implementation of works and accounted for expenditure. Heads of department in the central government had the right to inspect and advise on works in progress. Township welfare committees were expected to contribute to the projects in cash, in kind or with labor.

During the Revolutionary Council years, these reforms were reversed. The Revolutionary Council's primary concern was internal security. Security and administrative committees were established in every state and division, district, township, ward and village tract. Led by Tatmadaw officers, the committees were highly centralized and focused on reasserting state control.

During the People's Council years, the security and administrative committees were transformed into people's councils. The leading role of Tatmadaw officers continued, but the People's Council Act also allowed for the participation of workers' councils and peasants' councils. This allowed for a measure of popular participation from below.

Following the military takeover in 1988, the people's councils were abolished and replaced—first with law and order restoration councils and then with peace and development councils. In many ways, these new structures marked a return to the Revolutionary Council model. Popular participation was closed down. Military officers headed up the councils, with police officers and General Administration Department officers as members.

Source: J.S. Furnivall, *The Governance of Modern Burma* and R.H. Taylor, *The State in Myanmar*.

State economic enterprises were fully integrated into the structure of the civil service. The corporate governance model of the state economic boards was abandoned. The distinction between 'government employees' of state enterprises and civil servants came to an end. State enterprises now functioned simply as a department within their parent ministry.

The legacy of the BSPP era continues to this day. Many important structures from this time remain in place. Most important of all, public administration in Burma for the next 40 years would be marked first by the fusion of the party and the state, and then by the fusion of the military and the state.

The next section considers the years of the military regime from 1988 to 2011, when the legal basis of civil administration progressively withered away under an extra-constitutional state of emergency, and was replaced by directives from above.

#### **Section 4. The Military Regime, 1988–2011**

The military regime that seized power in September 1988 had a major impact on public administration in Myanmar. The most striking feature of military rule for much of the period from 1988 to 2011 was the extent to which the army substituted itself for the state. The weakness of civilian institutions was compensated for by the relative strength of the military, and its share of public expenditure reached 40%. The opening of Myanmar's economy to the world market also started to have an impact on the public sector by shrinking the role of state enterprises. In 2008, the military regime gave the country a new constitution, establishing a 'discipline-flourishing democracy' that seeks to maintain the role of the military as guarantors of the political system.

The military's response to what it perceived as the crisis of civil administration in Myanmar was to reconstruct the state within itself. From the perspective of the military, the state had imploded in the crisis of 1988—the country-wide protests that brought down the ruling BSPP. The military believed that the country's civilian administration had failed, and that only the military could preserve the sovereignty and integrity of the nation. Many of the subsequent actions of the military regime can only be understood in this light.

Following the coup, one of the first actions of the military regime was to suspend the constitution and assume all executive, legislative and judicial powers. For the next 20 years, military rule prevailed. The State Law and Order Restoration Council (SLORC), comprising 19 senior military officers, governed by proclamation or decree. In general, governance by law fell away, and this has had a marked impact on the character of public administration in Myanmar, lasting to the present day.

The military regime recreated an administrative structure that, like the colonial state, attempted to assert control from the center down to every village in the country. State law and order restoration councils led by military officers were established at the state, division, district, township, ward, and village tract level. A re-formed General Administration Department was integrated into the Ministry of Home Affairs to support the councils, and later the peace and development councils.

The politicization of the civil service continued. Despite a formal ban on civil servants joining political parties, government employees were expected to join the Union Solidarity and Development Association. After the protests of 1988, government employees were required to fill out forms

describing their political views, and the military used this information to purge the civil service of perceived opponents. The mandatory courses conducted by the civil service training institutes for all government employees became even more ideological.

There was a further expansion in the penetration of public administration by the military. Successive waves of transfers of military officers into the senior echelons of public service meant that in most ministries, nearly all director general and deputy director general positions, and about 50% of director and deputy director positions.<sup>5</sup> As a result, former military networks are an important means of 'getting things done' in the civil service, and a civil servant's military rank is often seen as more important than their civilian position. Many people consider these networks of patronage a major barrier to a merit-based system.

As stated previously, as a result of Myanmar joining the world market, the relative importance of state enterprises in the economy has declined. Between 1988 and 2008, the relative contribution of state enterprises to gross domestic product fell from 20% to 7%. However, the transition from a state-directed economy to a more corporate economy demands new, often more sophisticated forms of state regulation which, by and large, the government has struggled to introduce. Nowhere was this more apparent than in the realm of taxation, where tax revenue fell to just 3 or 4% of GDP.

After 20 years in power, the military regime finally promulgated a new constitution in 2008, and a return to governance by law. However, through the constitution, the military sought to establish a 'guided' or 'discipline-flourishing democracy' in which the military continues to maintain a pivotal role in the political system by holding 25% of parliamentary seats. The Constitution of 2008 was a key element in the military's 7-step road map for returning the country to constitutional government announced in August 2003.

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<sup>5</sup> Based on interviews with former and current government officials in Yangon and Nay Pyi Taw, November 2014.



## Chapter Two: Myanmar’s Public Sector

The purpose of this chapter is to explain what we mean when we talk about ‘the public sector’ in Myanmar. It begins by describing the structure of the public sector in Myanmar as set out in the 2008 Constitution—the Union government ministries, the state and region governments, and the state economic enterprises. The rest of this chapter briefly discusses three aspects of public sector management in Myanmar: management of the policy process, management of public finances, and management of the civil service.

### The public sector in Myanmar: a brief definition

The public sector in Myanmar includes the Union Government, the state and region governments, and the Union territories. It also includes state economic enterprises and other entities that are owned 50% or more by the state.

### Section 1. The Structure of the Public Sector in Myanmar

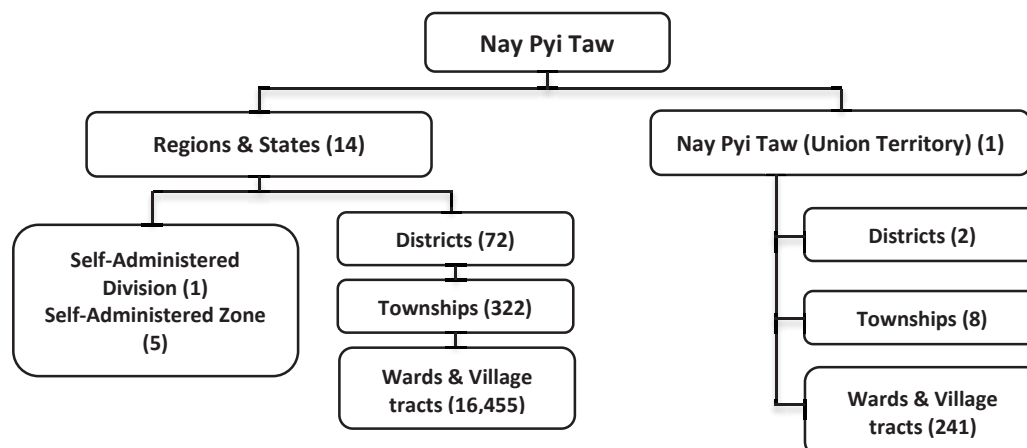
The constitution structures the system of government in Myanmar. The Union of Myanmar, established in 1948, has had three constitutions since independence: the 1947 Constitution, the 1974 Constitution and the 2008 Constitution.

The constitution provides for a separation of the sovereign powers of the Union to be exercised by:

- **the legislative power**, vested in the Union Parliament, the *Pyidaungsu Hluttaw*, and the region and state *hluttaws*.
- **the executive power**, vested in the president as head of government. The Union Government comprises the president, vice presidents, Union ministers, and the attorney-general.
- **the judicial power**, vested in the supreme court of the Union as well as the high courts of the regions and states and the courts of self-administered areas.

The 2008 Constitution establishes a federal system of government. Power is distributed between the Union Government and 14 state and region governments, and this distribution of legislative and administrative authority is codified in Schedules One and Two of the constitution. The constitution sets out the administrative structure of the Union as follows:

Figure 1: Administrative Structure of the State in Myanmar



Source: Chit Saw and Arnold (2014), number of districts updated by authors. 2015

In 2015, the administrative structure of the state consists of the 14 states and regions. States and regions comprise, on average, 4 or 5 districts, and in total, 74 districts. Districts comprise 4 or 5 townships each, and in total, 330 townships. Townships comprising a number of towns and village tracts are made up of wards and villages, respectively.

Union government ministries with a presence outside the capital, Nay Pyi Taw, typically replicate this administrative structure in their own internal structure. For example, the Ministry of Home Affairs' General Administration Department has its headquarters in Nay Pyi Taw, and offices in the states/regions, districts and townships.

Below the state and region level, Myanmar does not have elected local governments. Over time, a third tier of government could emerge; most likely at the township level. Currently there are only indirectly elected representatives at the village tract level. In the larger cities, Yangon, Mandalay and Nay Pyi Taw, city development corporations provide municipal services, and these have recently started to conduct elections, although they are only elected by households rather than individual voters. However, at present, townships are simply an administrative unit of the Union and the state and region governments.

To compare the administrative structure of Myanmar today with those of the past, see the charts in Annex 1.

### ***Union Government***

The Union Government consists of the President of the Republic, vice presidents, Union ministers, and the attorney-general. In 2015, the Union Government is led by the president, two vice presidents, six senior ministers without portfolio, 30 ministers with portfolios, the attorney-general, and the chairperson of the Union Civil Service Board.

The powers of the Union Government are codified in the constitution, and Article 96 of the constitution gives the Union Parliament the authority to pass laws on many matters. The legislative list in Schedule One of the constitution ranges from defense and security, to finance and the economy, as well as health, education and welfare. In contrast, the legislative list for state and region parliaments is more limited.

The Union government offices and ministries are structured as follows:

1. President's Office
2. Union Attorney-General's Office
3. Union Civil Service Board
4. Ministry of Finance
5. Ministry of National Planning and Economic Development
6. Ministry of Home Affairs
7. Ministry of Border Affairs
8. Ministry of Defence
9. Ministry of Foreign Affairs
10. Ministry of Information
11. Ministry of Education
12. Ministry of Science and Technology
13. Ministry of Religious Affairs
14. Ministry of Culture
15. Ministry of Sports
16. Ministry of Health

17. Ministry of Agriculture and Irrigation
18. Ministry of Environmental Conservation and Forestry
19. Ministry of Livestock, Fisheries and Rural Development
20. Ministry of Commerce
21. Ministry of Cooperatives
22. Ministry of Industry
23. Ministry of Construction
24. Ministry of Mines
25. Ministry of Hotels and Tourism
26. Ministry of Energy
27. Ministry of Electric Power
28. Ministry of Labour, Employment, and Social Security
29. Ministry of Social Welfare, Relief and Resettlement
30. Ministry of Immigration and Population
31. Ministry of Transport
32. Ministry of Rail Transportation
33. Ministry of Post and Communications and Information Technology

The president, as head of government, takes ultimate responsibility for the functioning of government ministries. In Myanmar, however, the constitution allows the commander of the armed forces to nominate military personnel as ministers to the three key ministries of defence, home affairs, and border affairs.

A ministry is led by a high ranking political appointee known as a minister. In Myanmar, there are also usually one or more vice ministers often appointed for their professional and technical skills.

Ministries are organized into several departments, each led by a director general responsible for an aspect of the ministry's work. A large ministry such as the Ministry of Education includes departments for primary, secondary and tertiary education. The departments are where most of the work of government is done. In Myanmar, the departments are further divided into divisions, branches, and sections.

Government ministries in Myanmar are typically established on a functional basis, giving rise to ministries of finance, education, health and defense and so on. This is the most common practice for governments around the world.

It is interesting to note however that in Myanmar one of the most powerful ministries is structured on a territorial basis. This is the Ministry of Home Affairs. Its General Administration Department has offices in the states and regions, districts and townships, and includes a presence all the way to the village level.

An ongoing issue with public sector reform in Myanmar is the large number of Union ministries. There are 30—nearly double the international average of 16. Although this is not necessarily a problem, it is important for governments to review the structure of ministries periodically to see if it is possible to improve coordination, avoid overlap, and minimize costs.

### ***State and Region Governments***

States and regions are governed by the same constitutional principles—the difference in terms simply reflects the historic differentiation between predominantly-ethnic minority states and Bamar-majority regions.

The seven states and seven regions in Myanmar are listed in the accompanying table.

States	Regions
1. Kachin State	8. Sagaing Region
2. Kayah State	9. Taninthayi Region
3. Kayin State	10. Bago Region
4. Chin State	11. Magway Region
5. Mon State	12. Mandalay Region
6. Rakhine State	13. Yangon Region
7. Shan State	14. Ayeyawady Region

The President of the Republic appoints the chief minister of every state and region, and the role is a powerful one. The chief minister nominates his or her cabinet ministers and assigns ministries to each, in consultation with the president. There are about 10 ministers in each state and region, who are accountable to their state or region parliament.

The powers of state and region governments are set out in the constitution. The most important of these are:

- Article 188 that gives authority to the state and region governments to pass laws on certain matters, and Schedule Two that limits this authority to managing the state or region budget, local roads, bridges, ports and jetties, and local economic activities.
- Article 254 that gives the state and region governments the authority to raise revenues, and Schedule Five that limits revenue sources to taxes on land, excise, vehicle, and salt.
- Article 257 that gives the state and region governments the authority to establish a civil service—a very important power that state and region governments have yet to exercise.

#### Typical Structure of State and Region Governments

1. Chief Minister
2. Minister of Security and Border Affairs
3. Minister of Finance and Revenue
4. Minister of Planning and Economics
5. Minister of Agriculture and Livestock
6. Minister of Forestry and Mines
7. Minister of Transport
8. Minister of Electric Power and Industry
9. Minister of Social Affairs
10. Minister of Development Affairs

The states and regions, however, do not have their own civil service. As such, the key role of state and region ministers is primarily to coordinate or advise on the work of the other Union ministries who have offices at the state and region level. The State Minister of Agriculture and Livestock, for example, might have inputs into the plans and activities of the Union Ministry of Agriculture and Livestock in his/her particular state or region, but the ultimate decisions are made in the Union ministry in Nay Pyi Taw. Support services to both the

executive office of the chief minister and the legislative office of the state and region *hluttaw* are provided by the Ministry of Home Affairs' General Administration Department through an office known as the Government Office which exists in every state and region.

The establishment of state and region governments is a major change from 1962 to 2008, when the central government controlled the country through staff that were deployed at all levels down to the village. Since 2008, power has been shared between the Union Government and the state/region governments. However, as described above, and as the 2013 study *State and Region Governments in Myanmar* by The Asia Foundation and the Centre for Economic and Social Development further elaborates, this power sharing arrangement between the Union and the state/region level is still limited and evolving.

One of the most important questions for public sector reform in Myanmar is how best to distribute functions between the Union and the state/region governments. The Union Government is committed

to decentralization and delegating some power to states and regions is a positive first step. The Union Parliament's Constitutional Review Joint Committee has the authority to review the distribution of functions codified in the constitution. Over time, the Union Parliament will approve more public services to be delegated to the state or region, including the management of primary schools and health services.

State and region governments currently have a very limited revenue base. For the states and regions to take over more functions and services from the Union, they will need much greater funds to operate than what they are currently receiving from the Union Financial Commission and the few taxes they are authorized to collect.

The Union Government is committed to fiscal reform in order to finance sub-national government, but thus far its approach to decentralization reform has been piecemeal and ad hoc. According to the 2014 study by The Asia Foundation and MDRI-CESD, *Fiscal Decentralization in Myanmar*, a comprehensive strategy is needed that integrates political, economic and social elements in order to improve governance, development and peace making.

### ***State Economic Enterprises***

State economic enterprises form a very important part of the public sector in Myanmar. In 2015, Myanmar had 44 state economic enterprises operating in sectors from timber to textiles. According to the International Monetary Fund (IMF), the state economic enterprises play an important role in Myanmar's economy, accounting for about 7% of GDP and about two thirds of government revenue. They are also very important employers. For example, Myanmar Timber Enterprise has about 20,000 employees.

Myanmar's state economic enterprises are, in general, completely integrated into the structure of government ministries. Myanmar Timber Enterprise, for example, operates as a department within the Ministry of Environmental Conservation and Forestry. More than half of the ministry's employees work for the enterprise department, which often performs tasks such as policy formulation or procurement that are essential to the functioning of the entire ministry.

In addition, the Civil Service Personnel Act covers government employees working for state economic enterprises as well as civil servants. State enterprise employees receive the same salary and non-salary benefits as civil servants and are subject to the same rules and regulations. This contrasts with the practice of many other countries, where a distinction is often made between those who work in the ministries as civil servants and those who are considered part of the larger public sector such as those working in the health or education sectors, the police, or state economic enterprises. This is because civil servants are not simply employees of the specific government in power but are expected to respect and maintain state institutions over time. Employees of state economic enterprises are generally subject to different legislation than civil service law, or simply to the same labor law governing the private sector.

There are also a large number of businesses that are controlled by the military through powerful holding companies. While not formally considered state economic enterprises, military-owned Myanmar Economic Holdings Limited and Myanmar Economic Corporation play an important role in the economy. Such military-owned companies have enjoyed a privileged position in Myanmar's market economy as they were exempt from certain taxes until very recently. This has made them more appealing as local partners for foreign firms than is the case with private companies.

Myanmar Economic Holdings Limited has business interests in a wide range of sectors—gem mining, garment manufacturing, logging, saw mills, furniture manufacturing, food and beverage imports, supermarkets, banking, hotels, transportation, real estate, telecommunications, electronics, and the

steel and cement industries. Myanmar Economic Corporation is involved in steel, cement, banking, insurance and other sectors. The two holding companies also play an extremely important role in financing the military, and this is not accountable to Parliament or reported in the Union budget.

How best to manage state economic enterprises is an important issue for public sector reform in Myanmar. The recent reform experience of the telecom sector in Myanmar provides a good example and precedence for other sectors to consider. The arrival of international telecommunication companies has brought benefits to the public through competitive pricing and improved services. It also highlighted the need to reform the corporate governance of Myanmar Post and Telecommunications, which is presently a department within the Ministry of Communications and Information Technology. The restructuring of Myanmar Post and Telecommunications is an important and challenging task for the Ministry.

## **Section 2. Managing the Policy Process**

The next three sections discuss three important aspects of public sector management in Myanmar: management of the policy process, management of public finances, and management of the civil service.

One of the most important functions of government is developing public policy which determines which courses of action the government will follow to achieve certain outcomes. It always involves political choices. The way government develops policy is usually structured into a sequence of steps involving ministers, advisers, civil servants, and others.

In Myanmar, the policy process is quite different from that of many countries, reflecting a legacy of both the socialist regime that ruled Myanmar from 1974 to 1978 and the military regime that ruled from 1988 to 2011. For many years, policies were made by a small group of senior generals, and ministries primarily implemented policies rather than participating in policymaking or policy review. As such, the policy capacity of many ministries greatly deteriorated over the years.

The most striking feature of the public policy process during the time of the government of President U Thein Sein is that it tends to take place at a very senior level, primarily that of the President and his cabinet ministers. The civil service generally plays no role in advising and supporting ministers in their setting of public policy. However, as the civil service re-establishes its professionalism and confidence, it is expected to become an important source of advice on public policy.

To compensate for the weakness in policy capacity, the Union Government has accessed the policy advice of many advisers, including those who are members of the National Economic and Social Advisory Council. These advisers include eminent Myanmar citizens, a number of whom have been educated and lived outside the country for extended periods of time. Some committee members are previously-exiled pro-democracy activists and former employees of international organizations. As these advisers and advisory committees proliferate given the wide-ranging needs of the government, effective management and coordination mechanisms are necessary to avoid overlap and confusion in technical advice and policy perspectives. For the long term, the government will also need to support capable experts within ministries and agencies, as well as in other relevant institutions such as universities and think tanks.

The government has made effective use of reform-minded vice ministers, some of whom have strong technical knowledge and experience in their fields. The Ministry of Communication and Information Technology, for example, has benefitted from vice ministers who are not only technical experts but also have private sector experience and the ability to access international technical expertise. The services of international firms have been critically-important in the restructuring of the

telecommunications sector, including developing needed legislation, and conducting a credible international bidding process for telecom licenses. This has resulted in a dramatic drop in telecommunication costs which, in turn, has greatly improved public access to information and also significantly reduced the cost of doing business in Myanmar.

Public policy is generally informed by policy analysis that seeks to define the problem, sets out the objectives of decision makers, establishes parameters such as resources and timeframes, presents options for achieving the objectives, considers costs and benefits, and proposes solutions. Below is a case study on a hypothetical education reform that shows what a structured public policy process might look like in Myanmar.

**Box 8: A Hypothetical 'Case Study' on How a Public Policy Reform Could be Carried Out in Myanmar**

If a president announced to the nation that he or she planned to decentralize the management of primary schools to states and regions, the following policy development and implementation steps would likely take place. The likely first step is that a senior minister in the Office of the President would create an interdepartmental committee, co-chaired by the Minister of Education, with the goal of preparing a policy paper that examined how best to assign primary school management functions from the Union Government to the governments of the states and regions.

Policy analysis would then be undertaken by civil servants in the Ministry of Education, perhaps supported by experts from Myanmar and elsewhere. The Ministry of Education could carry out consultations with civil servants from the Union Attorney-General's Office and from the Ministry of Finance, who could provide advice on what the constitution says about state and region government powers and on the appropriate intergovernment fiscal formula to help finance this initiative.

Draft proposals would then be shared and discussed with ministers from state and region governments, the parliamentary committee on education, teachers' unions, and members of the public. Following these consultations, the senior minister would present the policy paper to a meeting of the Union cabinet, who would debate the options, and decide on which option to accept.

Following the Union cabinet's decision, the Union Attorney-General's Office would be asked to draft legislation that would then be presented to the Union Parliament for a vote. If the Union Parliament approved the legislation decentralizing management of primary education to the states and regions, the Ministry of Finance would include the financing needed in coming year's budget of transfers to states and regions so that they could implement the new policy.

The business of government is inherently complex. Sometimes there are political differences between ministers, line ministries may have conflicting agendas, and/or there may be organizational overlaps that create bureaucratic confusion.

Under President U Thein Sein, policy coordination has tended to be led by the Office of the President. The president has appointed six senior ministers to take the lead on important issues such as the peace process and assisting him in coordinating government business.

The president has also established a high-level reform steering committee, which he chairs. This committee includes the vice presidents and four of the six senior ministers. The reform steering committee acts as a 'cabinet within the cabinet' and was needed because the full cabinet was too unwieldy a coordinating mechanism, since it comprises of more than 30 ministers who have differing political views and approaches to reform.

The president, vice presidents and three of the senior ministers chair six cabinet committees which coordinate the business of government. These committees are Foreign affairs, Economics, Private

Sector Development, Public Administration and Ethnic Affairs, Security and the Rule of Law, and Health, Education, and Social Affairs.

#### **Box 9: The 'Center of Government': Cabinet and the Office of the President**

President U Thein Sein's cabinet manages the business of government and provides strategic oversight for his reforms. The cabinet-related structure comprises the cabinet, cabinet committees and cabinet sub-committees.

The cabinet is chaired by the president and includes all 30 cabinet ministers. Its primary role is to inform all cabinet ministers about government business. Items that require further action and policy issues tend to be dealt with by the six cabinet committees.

The cabinet committees are chaired either by the president, a vice president or a minister from the Office of the President. These cabinet committees are where government policy is formulated and coordinated. The cabinet committees also provide strategic oversight of how reforms are developed and implemented.

The seven cabinet committees are:

1. The Foreign Affairs Committee, chaired by the president;
2. The Economics Committee, chaired by senior minister No. 1;
3. The Private Sector Development Committee, chaired by senior minister No. 5;
4. The Public Administration and Ethnic Affairs Committee, chaired by senior minister No. 6;
5. The Security and Rule of Law Committee
6. The Health, Education and Social Affairs Committee, chaired by a vice president; and
7. The Reform Steering Committee, structured like an inner cabinet. It is chaired by the president, and its membership includes the vice presidents and senior ministers from the Office of the President.

There are a large number of cabinet sub-committees. These are created as the need arises. In August 2013, the president announced that 28 of these sub-committees would try out a new approach to reform by consulting directly with the public. These sub-committees are called 'Delivery Units,' and they are often chaired by deputy ministers.

The cabinet secretariat is located in the Office of Government, which is part of the Office of the President. The function of the cabinet secretariat is to organize cabinet business, manage cabinet documents, and prepare rules guiding the operation of cabinet.

In many countries, certain ministries act as lead agencies to ensure inter-ministerial coordination on specific issues. For example, the ministry responsible for finance and the ministry responsible for planning take the lead on economic policy, and the ministry responsible for the public service or the civil service commission leads on civil service reform.

In Myanmar, the central ministry with the strongest coordinating role, other than the Office of the President, is the Ministry of Home Affairs. This is because of the coordinating role played by the General Administration Department in the operations of every state and region, district, and township government office.

### **Section 3. Managing Public Finances**

The management of public finances is one of the most important functions of government. The national budget is the government's most important public policy statement as it demonstrates the government's priorities by allocating resources to various public services.

The Ministry of Finance is the custodian of the government's public financial management system. This system manages how the government raises revenue through taxes, and then spends the money. The system is regulated by laws and procedures that seek to ensure high standards of probity and accountability.



In Myanmar, certain laws govern tax-related matters. Examples are the laws on Income Tax (1974), Profit Tax (1976), Goods and Services (1976), Foreign Investment (1988), and Commercial Tax (1990). Related regulations such as the Financial Instructions (1986) instruct civil servants on how to manage public finances or procure goods and services.

The government recently conducted an assessment of its public financial management system that concluded that the system needs major reform. Important foundational laws such as an organic budget law and a procurement law that govern modern public finance systems are absent in Myanmar. The information included in the budget is not sufficient to allow Parliament to effectively perform its oversight role (see Box 10).

**Box 10: Public Financial Management Performance Report**

In 2013, the Ministry of Finance published its first Public Financial Management Performance Report with assistance from the World Bank. The report provides an assessment of the effectiveness of the Government of Myanmar’s public financial management system and identifies how to improve the way the government raises revenue and spends its money. The Minister of Finance has started to implement the findings of this report which is available at [www.pefa.org/fr/assessment/files/1129/rpt/8131](http://www.pefa.org/fr/assessment/files/1129/rpt/8131).

Looking at how the government chooses to raise revenue and then spend its resources, reveals much about the functioning of the public sector in Myanmar. It also provides revealing information about the size and scope of government.

Table 3 shows government expenditure over a period of 5 years. This is particularly interesting because it covers the last 2 years of Senior General Than Shwe’s government and the first 3 years of President U Thein Sein’s government.

**Table 3: Government of Myanmar Expenditure, 2011-2015**

	2010/11	2011/12	2012/13	2013/14	2014/15
Total expenditure	16.9	16.6	25.0	26.5	28.7
<i>Health</i>	0.2	0.2	1.5	1.1	1.3
<i>Education</i>	0.8	0.8	1.6	1.8	2.0
<i>Defence</i>	3.3	2.9	4.4	4.1	3.8
<i>Wages and Salaries</i>	1.1	1.2	1.9	2.1	2.1

Source: International Monetary Fund (IMF) Article IV 2014

The most striking feature of public expenditure in Myanmar is that it has increased rapidly in recent years to almost 29% of GDP. Myanmar now has a public sector comparable in size to other states in the region such as the People’s Republic of China, Vietnam, Thailand, and Cambodia. Until recently, the size of government in Myanmar was barely 15% of gross domestic product (GDP), well below that of most other countries in the Association of Southeast Asian Nations (ASEAN). In the affluent Organisation for Economic Cooperation and Development (OECD) countries, the size of government is about 40 % of GDP.

Government expenditure priorities have altered significantly in recent years. Spending on education and health increased substantially between fiscal years 2010–2011 and 2014–2015, albeit from a low base. Health’s share increased six and a half times to 1.3%, and education increased two and a half times to 2.0%. Over the same period, spending on defense increased by one fifth, to 3.5%. However, spending on education is still very low by international standards.

The government allocates a very high proportion of the budget (as much as 40%) to capital investment such as road construction and other infrastructure (Government of Myanmar 2013b). The wages and salaries bill, by contrast, is very low at about 7.5%. Internationally, low income countries spend about 19% on capital investment and 25% on wages and salaries, compared to 31% and 6%, respectively by high income countries.

The largest spending portfolios in Myanmar are energy (21%), followed by defense (18%), agriculture, forestry and fisheries (7%), construction (6%) and industry (5%) (World Bank 2013).

Table 4 shows the government’s revenue over the last 5 years.

**Table 4: Government of Myanmar Revenue, 2011-2015**

	2010/11	2011/12	2012/13	2013/14	2014/15
Total Revenue	11.4	12.0	23.3	24.8	24.2
Union Government	6.3	6.5	9.5	11.4	10.4
<i>Of which:</i>					
Tax revenue	3.3	3.9	7.1	7.2	7.4
State Economic Enterprise receipts	7.0	7.8	15.3	14.7	14.3
Grants	0.0	0.0	0.1	0.2	0.4

Source: IMF Article IV 2014

The most notable feature of public revenue in Myanmar is that it doubled between 2010 and 2012, from 11.4% of GDP to 23.3% of GDP. This is almost entirely the result of revenue from new petroleum ventures. Petroleum revenue is generally a benefit because government can use it to finance social and economic development. In some countries, however, the exploitation of oil and gas has resulted in what has come to be called the ‘resource curse,’ and Myanmar needs to take steps to avoid this (see Box 11).

According to the IMF (see Table 4), government tax revenue in Myanmar is very low at 3.3 to 7.4% of GDP, and the lowest tax revenue in Asia. Such a low percentage sometimes indicates that a country has problems with its civil service, such as lack of capacity in tax administration and/or problems with corruption. In some countries, a low tax to GDP ratio can also indicate that the state has a crisis of legitimacy where citizens avoid paying taxes because they do not trust the government.

The Government in Myanmar is highly reliant on dividends from state economic enterprises, which in recent years have contributed as much as two thirds of public revenue. Any efforts to reform state economic enterprises will therefore need to proceed very carefully.

**Box 11: The Resource Curse**

The resource curse refers to the paradox that countries rich in natural resources like oil and gas often perform worse than countries with few natural resources.

The reasons why this happens vary. An oil and gas boom can distort the economy as changes in the exchange rate cause traditional sectors to decline. Commodity prices can rise and fall very quickly. A sudden influx of wealth often leads to problems of corruption, social inequality and even political instability.

For all these reasons, it is extremely important for Myanmar to establish an effective governance regime for development of natural resources. The decision of the Government of Myanmar to seek accreditation as part of the Extractive Industries Transparency Initiative is a step in the right direction.

## Section 4. Managing the Civil Service

This section looks at the management of the civil service in Myanmar. A professional civil service is a necessary precondition for good governance. Governments need to recruit, develop and retain people with the knowledge, skills and attitudes necessary to provide honest and effective public services.

The government is responsible for managing the civil service. According to the Civil Service Personnel Act, the cabinet decides policy, approves organizational structures, and agrees on the salary scale of civil servants.

The constitution acknowledges the role of the Union Civil Service Board (UCSB) in the selection and training of civil service personnel and the preparation of civil service regulations. The chairperson of the UCSB answers directly to the president. The constitution also states that the appointment, promotion, retirement, and disciplining of civil service personnel must be in accordance with the law.

Several other Union ministries are also involved in the management of the civil service. The Office of the President and the Ministry of Home Affairs play a leading role in carrying out the president's policy of administrative reform. The Ministry of National Planning and Economic Development advises the cabinet on the organizational structures and staffing requirements of Union government ministries. The Ministry of Finance advises the cabinet on pay and salary issues.

By international standards, the UCSB itself has quite a limited mandate, and its role has changed considerably since the era of democratic governments between 1948 and 1962 (see Box 12).

### Box 12: From Public Service Commission to Union Civil Service Board

The 1947 Constitution of the Union of Burma provided the legal basis for Parliament to establish "a Public Service Commission to assist the Union Government in matters relating to recruitment to the civil services of the Union and to advise on disciplinary measures affecting the services." The commission's principal role was to advise on the recruitment and promotion of gazetted officers in government service.

In 1953, the role of the commission was expanded to advise on the recruitment and promotion of clerical staff as well as provide courses in public administration. In 1958, the commission's role was expanded again to advise on the recruitment and promotion of gazetted officers to the boards of state economic enterprises. This last measure, while an understandable attempt to counter emerging nepotism and corruption in state economic enterprises, started to blur the distinction between civil servants and other government employees, which contributed over time to undermining the professionalism of the career civil service.

The Constitution of the Socialist Republic of 1974 made no reference to the Public Service Commission, reflecting, in some ways, the downgrading of its status. In 1972, as part of the government's wider assault on "bureaucratism", the commission was placed under the control of the Ministry of Home Affairs and renamed the Central Services Selection and Training Board. At this time, membership in the Burma Socialist Programme Party became an important selection criterion, and sometimes of greater importance than technical expertise. As state economic enterprises were fully integrated into government ministries, the government decided to erase entirely the distinction between civil servants and other government employees. The ideological function of the civil service training institutes increased, with much time allocated to study of the Burmese Way to Socialism. In 1977, the name of the Central Services Selection and Training Board was changed to the Civil Services Selection and Training Board, and it reported directly to the Council of State.

Following the military takeover in 1988, the Civil Service Selection and Training Board was placed under the direct control of the State Law and Order Restoration Committee. In many ways, this reflected continuing emphasis on political control over the civil service. Thousands of civil servants were purged and the training institutes placed even greater emphasis on ideological adherence to the regime. The name of the agency was changed, yet again—this time to the Union Civil Service Board.

Source: J.S. Furnivall, *The Governance of Modern Burma* and M.W. Charney, *A History of Modern Burma*.

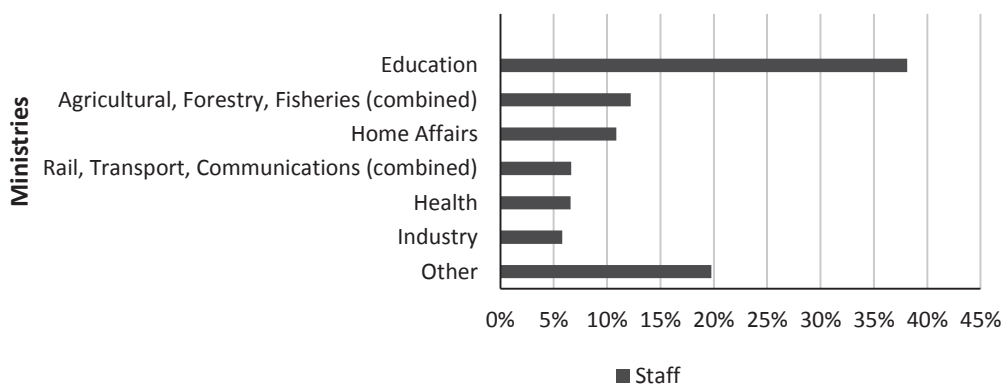
In 2013, the government introduced a new Civil Service Personnel Act which sets out the general framework for the management of civil servants, as well as addressing specific terms and conditions of employment such as leave and pensions. The act commits to a meritocratic civil service, free from discrimination on the basis of race, birthplace, religion or gender. In recognition that neutrality is critical to maintaining the bureaucracy’s professionalism, the act also specifies that “Civil service personnel shall be free from party politics.” How this is enforced, in practice, is not clear.

One interesting feature of Myanmar’s Civil Service Personnel Act is that it applies to all government employees other than the military and the police. In many countries, the civil service act does not apply to members of the judiciary due to their independent status, nor to employees of state economic enterprises or the non-administrative employees of the civil service such as gardeners and cleaners.

The total size of the civil service in Myanmar is about 900,000 employees.<sup>6</sup> For a population of 52 million, this is not large by international standards, particularly given the expansive definition of ‘civil servant’ in Myanmar which includes many staff who would not be considered ‘government employees’ elsewhere.

Figure 2 shows that the Ministry of Education is the largest ministry, with a staff of 336,600, primarily teachers (38% of the civil service). The Ministry of Home Affairs is the second largest ministry with a staff of 95,980, including general administration staff (11%). The three ministries that comprise agriculture, forestry and fisheries have a staff of 107,980, but these are primarily state enterprise employees and field workers (12%). The Ministry of Health has a staff of 58,110 who are primarily health workers (7%). These four sectors comprise nearly 70% of the civil service.

**Figure 2: Civil Service Personnel by Sector**



Women make up 51% of the civil service (Government of Myanmar 2010). The proportion of women in senior positions, at 32.5%, is not as high, but it represents a strong foundation for building a merit-based approach to recruitment and promotion. Women are well represented at senior levels in economic policy portfolios such as the Ministry of National Planning and Economic Development (48%) and social policy portfolios such as education (69.7%) and health (49.2%), but poorly represented in security-oriented portfolios such as Home Affairs (1.2%). The Ministry of Home Affairs’ General Administration Department is responsible for the appointment of administrators to the country’s 330 townships, and currently all 330 township administrators are men (Chit Saw and Arnold 2014a, p. 17).

<sup>6</sup> MNPED Project Appraisal and Performance Review Department. The staff numbers refer to government employees engaged under the Civil Service Personnel Act.

The government does not yet publish information on race and religion in the civil service. It is, therefore, difficult to assess its commitment to achieve a merit-based civil service, free from discrimination. However, many people, and especially those among ethnic minority populations, believe that the civil service is disproportionately staffed by ethnic Bamar Buddhists.

The Myanmar civil service classifies staff into two categories—gazetted officers and non-gazetted administrative staff. The most senior civil servants in the gazetted officer corps are called either Directors General or Managing Directors and they are typically in charge of a department within a government ministry or a state economic enterprise.

There are six gazetted officer grades. Below the directors general (managing directors in state economic enterprises) are deputy directors general (general managers), directors (deputy general manager), deputy directors (assistant general managers), assistant directors (managers), and staff officers (assistant managers).

The officer grades are supported by six grades of non-gazetted administrative staff. The most senior grade is office superintendent (supervisor), then branch clerk (assistant supervisor), senior clerk (senior technician), junior clerk (junior technician), senior assistant, and junior assistant.

The government needs to be able to remunerate civil servants and other government employees sufficiently to recruit, motivate and retain high quality staff. Civil servants and other government employees in Myanmar receive a salary and most also receive non-salary benefits such as housing, medical care and a pension (see Table 5).

There are indications that the government’s approach to remuneration is struggling to achieve these goals, particularly since the liberalization of the economy has allowed the private sector to play a greater role in the labor market. For example, a director general at the top of the salary structure who may have 30 years’ experience earns just four times the salary of a junior assistant at the bottom of the salary structure who may only have 3 months’ experience. By international standards, this difference in salaries is quite low.<sup>7</sup> Similarly, a managing director of a state enterprise like Myanma Oil and Gas Enterprise is paid a salary of about US\$240 a month. This is a fraction of what senior managers working for private oil and gas companies earn in Myanmar.

These are examples of some of the policy issues that the Ministry of Finance and the Union Civil Service Board might consider when preparing a remuneration strategy for the civil service. In recognition of the low pay in Myanmar’s civil service, in March 2015, the government announced substantial salary increase for civil servants.

**Table 5: Civil Service Salary Structure, 2015<sup>8</sup>**

Grade	Monthly Pay Scale (MMK, ‘000s)	
	Salary before March 2015	Salary after March 2015
13	250 – 260	500
12	220 – 230	380 - 400
11	200 – 210	340 - 360

<sup>7</sup> By contrast, salaries for ministers and deputy ministers are relatively high at US\$3,000 and US\$2,000. Starting in fiscal year 2015–2016, salaries for members of Parliament will increase to US\$1,000.

<sup>8</sup> Data from the General Administration Department indicate that grades 1 to 6 correspond to various administrative support, non-gazetted positions. Grades 7 to 12 correspond to different levels in the civil service for gazetted officers, with grade 11 for deputy director general and grade 12 for director general. The New Light of Myanmar data cited here provided information for up to grade 13 however, which may correspond to the newly established position of permanent secretary. Such information regarding civil service structure and salary data is difficult to obtain and can be inconsistent from different sources.

10	180 – 190	310 - 330
09	160 – 170	280 - 300
08	140 – 150	250 - 270
07	110 – 116	210 - 220
06	105 – 110	195 - 205
05	99 – 104	180 - 190
04	93 – 98	165 - 175
03	87 – 92	150 - 160
02	81 – 86	135 - 145
01	75 – 80	120 - 130

Source: *New Light of Myanmar*, 27 March 2015

The Union Civil Service Board is responsible for the recruitment of entry level positions for gazetted officers and non-gazetted officers (i.e. Grade 7 and Grade 1). Above the entry level, government ministries tend to manage promotions internally for both the gazetted and non-gazetted classes. Government ministries generally refer appointments at the level of deputy director general and director general (i.e. Grade 12 and Grade 11) to cabinet for approval. The civil service recruitment system in Myanmar is what is known as a ‘closed system’ because external candidates are not allowed to apply for other than entry-level positions.

Many people in Myanmar do not believe that civil service recruitment is merit based, open and transparent. As evidence, critics note that in most government ministries, the positions of director general and deputy director general are occupied by former military officers.

Regarding the training of civil servants, the Union Civil Service Board has a leading role. It manages the training institutes at Paunggyi and Mandalay that provide a range of foundation and senior management programs.

The General Administration Department, however, has its own training institute—the Institute for Development Administration—and other ministries are establishing their own training institutes too to provide ministry-specific curricula. For example, the Ministry of Finance has a new Public Financial Management Academy, the Ministry of National Planning and Economic Development is moving ahead with a Graduate School for Public Administration and it also recently established the Myanmar Development Institute, modeled on the Korean Development Institute, with a focus on policy and research.

## Chapter Three: Reforming the Public Sector

This chapter discusses the reasons why many people are calling for the reform of the public sector in Myanmar, discusses some of the reforms already underway, and the strengths on which further reforms can be built.

Calls for public sector reform in Myanmar are coming from many quarters. Members of civil society organizations, farmer groups, labor unions, and student groups, as well as urban residents have protested and marched to demand that the government address needs that range from greater academic freedom to ending land grabs and frequent power outages. Public expectations of government are rising as political reforms allow new voices to speak out in independent media and new social organizations to form such as farmers' associations and trade unions.

Some of the most outspoken criticisms of the public sector have come from some surprising quarters. President U Thein Sein and his senior ministers have delivered a series of, at times, blistering speeches calling for a change of 'mindset' on the part of government officials.

We start, therefore, by considering the views of the President's inner circle.

### Section 1. The President's Call for Reform

In a landmark speech in Nay Pyi Taw in December 2012 that launched the 'Third Wave' reforms, the president openly criticized state officials for arrogance, corruption and incompetence.<sup>9</sup> Echoing the sentiments of many citizens, the president called on government officials to give up the values and practices of the former regime and transform themselves "into public servants who truly serve the public."

The president outlined his vision of "people centered development" that responded to the public's desire for better public services. He said his government would improve key services such as electricity supply, water supply, irrigation, and tourism infrastructure.

The president also promised that his government would further decentralize. This responded to a longstanding complaint by many people, including those living in the ethnic minority states that all important decisions are made by the Union Government in Nay Pyi Taw. In the future, said the president, new township committees would involve the public in decision making, and state and region governments would start to manage some public services.

The president acknowledged that "governance in Myanmar falls short of international good governance standards". He highlighted the problem of government officials who run their offices "without consulting the general public," "without following the rules and regulations of government," and "without necessary management skills." He also stated that officials "accept bribes" and run "deliberately ineffective institutions."

Over the decades, the state in Myanmar has increasingly suffered from what some have called "a crisis of legitimacy". A 2014 nation-wide survey on civic knowledge and values by The Asia Foundation found that citizens are distant from government, and have little awareness about key government institutions and processes, including Parliament and the functions of various levels of government. On

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<sup>9</sup> The president has delivered a number of important speeches in which he outlined the government's policy priorities for 'Third Wave' administrative reforms, including an address to Union ministers on 26 December 2012, and another to the same audience on 9 August 2013. The government's policy statements on the 'Second Wave' economic reforms and 'Fourth Wave' private sector reforms also include important statements on issues such as telecommunications, liberalization and business regulations.

the whole, people try to solve problems themselves, rather than deal with government institutions such as the courts or police, which survey respondents ranked lowest in terms of integrity.

An important overarching objective of government, therefore, has been to try to begin rebuilding the legitimacy of public institutions and restoring trust. This effort focuses on the townships and villages because the local level is where public interaction with government is greatest. The president has announced several decentralization reforms that try to address citizens' concerns by involving them in local decision-making. The indirect election of village administrators (by household heads rather than individuals) is one such effort, along with the promised participation of citizens on township committees (see Box 13).

**Box 13: Reforms to Township Administration**

Township committees that involve the public in decision making were created or reorganized in 2012 and 2013. These include the Township Development Support Committee and the Township Development Affairs Committee. The Township Development Support Committee focuses on economic development issues and it includes farmers, workers, business owners, and civil society organization representatives. The Township Development Affairs Committee, also known as municipal offices, focuses on municipal affairs and members include representatives from the social, business and academic sectors. The effectiveness of these township committees has yet to be determined but for the first time in decades, they do provide a formal role for citizens to participate in township affairs.

**Section 2. Voices on Public Sector Reform in Myanmar**

As we will soon see, the verdicts of the president's inner circle on the shortcoming of the public sector in Myanmar mirror those of international development agencies. But before we take a look at the formal indicators prepared by these agencies to measure the performance of the public sector in Myanmar, let us first consider the views of some members of the public who we asked, "What does public sector reform mean to you?"<sup>10</sup>

**Retired director general.** *We need to learn from the way the system worked before the time of the Burmese Way to Socialism. We had laws in place. Every ministry had standard operating procedures. The secretary in the ministry was very strong, and he understood public policy. In my opinion, the civil service really started to deteriorate after 1988. Everything was done by instructions, and commands issued from above. There was no long-term planning, no long-term vision—the military always said it was going back to the barracks [but did not]! Military officers were appointed to senior government positions. Some were qualified, but many were not. The Union Civil Service Board has very little authority in relation to other ministries. There is no incentive for professionals to join the public service. They can reach the level of assistant director, perhaps deputy director [but] certainly not, director general!*

**Ethnic politician.** *What we have now is a guided democracy, but what we want is a true multiparty democracy. General Administration Department officers act like feudal lords! Every senior military officer is ethnic Burmese. Look at the government ministers, none are from ethnic minorities! We want the states to have real powers. Health and education should be transferred for a start. We need to see more money spent in the states. Our public services—health, education, roads—are not as good as in the lowlands. We need to be able to recruit civil servants locally. We need civil servants who can speak our language and are well trained. At the moment, the training institutes are just for indoctrination.*

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<sup>10</sup> In November and December 2014, The Asia Foundation interviewed 20 people in Yangon and Nay Pyi Taw on the subject of public sector reform. The text below quotes directly from these interviews but in some cases, the text is a composite from more than one interviewee.



**Hluttaw committee member.** *We need to change the constitution first. The military use section 436 to prevent reforms.<sup>11</sup> For example, on decentralization, we should give the states and regions real powers. To do that we need to amend Schedule One and Schedule Two.<sup>12</sup> USDP and NLD members all agree that we need to amend the constitution. The main problem facing the public sector is a lack of political will! Too many military officers were transferred into the civil service, bypassing the normal selection process. They know only how to issue commands and obey orders. They don't know how to discuss policy issues nor do they display any initiative. We generally support privatization, but it needs to be done carefully. In the past, it was mainly asset stripping, with the best state properties sold to cronies.*

**Independent trade unionist.** *We can now organize. But our rights are never respected. There have been many labor strikes over the last two years due to low wages, sometimes due to forced labor. The law is never enforced! The employers do not care about the law. The government still sends special police to follow union militants. We need proper rule of law. I'm worried about the government selling its factories. Workers will lose their jobs, their housing, their pensions. Garment workers are particularly badly paid. We need a minimum monthly wage of 200,000 MMK [about US\$200] because the cost of living has risen so quickly.*

**Social activist.** *The military are everywhere in government. As ministers. As senior officials. Democracy should mean we have a government of civilians. The reforms so far are fake reforms. Farmers are still suffering from having their land taken away. The government does nothing. They just do what their cronies tell them. The reforms to benefit farmers are all for appearance. In reality, life in rural areas is getting worse and worse. The township development committees are full of USDP members and former government officials.*

**Newspaper editor.** *It used to be very hard to report on what the government was doing. You could be banned just for reporting on the auditor-general's report after it was leaked by the Hluttaw; or for reporting on cronies getting access to state assets like government hotels. These days a government ministry still might try to sue you, but not necessarily win! The Ministry of Information itself is much better than before. It always gives state media the information first, but they now report on what's happening—they even cover protests. The government has improved some processes. Passport approvals are much quicker, people can now get permits to buy cars, and a mobile phone. A SIM card now costs 20,000 MMK whereas before it cost the same as a second-hand car. But Myanmar politics are very polarized. Bashing the government is a national sport. People do not want to give the government any credit for what it has done.*

As these interviews indicate, public sector reform means different things to different people. However, several key themes emerged from the interviews. These themes, which are discussed in more detail below, were the need for public administration based upon law, for the demilitarization and professionalization of the civil service, for a genuine transfer of functions to state and region government, for state enterprise reform to be undertaken in the public interest, for real improvements in public services.

In the language of the wider population, in teashops and offices across the country, this is often summed up in the widespread call for 'a change of mindset.' It reflects the strong public sentiment that officials see themselves as above the people and are more interested in serving special interests than the people or the nation. The most important theme, therefore, is that effective public sector reform requires rebuilding trust between the government and citizens. This process can also help to

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<sup>11</sup> Section 436 of the 2008 Constitution prescribes that an amendment requires the approval of more than 75% of members of Parliament. The 2008 Constitution also sets aside 25% of the parliamentary seats for the military.

<sup>12</sup> In the 2008 Constitution, Schedule One specifies the Union government's legislative authority and Schedule Two specifies the state and region governments' legislative authority.

build trust between communities that may then come to see themselves not as separate groups, but as part of the larger nation.

After so many years of constrained social, political and economic development under military rule, the transition to a more democratic system can generate much confusion and skepticism about the reform process. According to The Asia Foundation's 2014<sup>13</sup> study discussed in Box 14, people are cautiously optimistic about the future, but feel unconnected to government, and are concerned that social trust is low and political polarization is high.

#### **Box 14: Myanmar 2014: Civic Knowledge and Values Survey in a Changing Society**

In 2013, The Asia Foundation carried out a survey on civic knowledge and values, with 3,000 respondents from all 14 states and regions. Below are some key findings:

- Knowledge about government was low: 82% of respondents could not name any branch of government (the executive, the legislative or the judicial).
- When asked which level of government decision making most affected their lives, people emphasized the national level (29%) and the village level (20%) and not the state/region (3%) or the township level (2%). Also, 14% said that no government decisions impacted their lives.
- The level of social trust was low. When asked whether most people could be trusted, 77% of respondents said "no".
- There was a high degree of political polarization. When asked whether they would end a friendship if a friend supported an unpopular political party, 41% said "yes".
- In total, 62% of respondent said that they believe that Myanmar is heading in the right direction, but this figure dropped considerably in the predominantly ethnic minority states, with many preferring to answer "Don't know", which likely reflects their high level of uncertainty.
- Those who saw the country going in the right direction highlighted construction of roads, schools, and economic growth. Those who are negative about the country's direction, emphasize conflict, the bad economy, and bad government.

Source: The Asia Foundation. 2014. Myanmar 2014: Civic Knowledge and Values in a Changing Society, <http://asiafoundation.org/publications/pdf/1449>

### **Section 3: Public Sector Indicators**

The World Bank and other international development agencies have developed indicators to measure how well a country's public sector is performing. Although some question the usefulness of certain indicators because what they measure is very complex, used critically the indicators can help in discussing the strengths and weaknesses of the public sector, and in identifying which reforms to prioritize.

Based on applying internationally-used indicators in Myanmar, several recent studies listed in Box 15 have applied internationally recognized indicators to assess and identify the strengths and weaknesses of the public sector in Myanmar. They have concluded that reform of Myanmar's public sector institutions is crucial for the country to realize the democratic transition and the strong potential for economic growth.

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<sup>13</sup> The Asia Foundation. 2014. Myanmar 2014: Civic Knowledge and Values in a Changing Society, <http://asiafoundation.org/publications/pdf/1449>

### Box 15: International Reports on Myanmar's Public Sector

The following recent international reports concur that Myanmar's public sector needs reform so that the country can enjoy the kind of prosperity seen elsewhere in Southeast Asia.

"Limited institutional capital is the binding constraint to development in Myanmar."  
- OECD. 2013. *Myanmar Multidimensional Study*, 2013

"The outlook is bright if key institutional constraints are addressed."  
- IMF. 2013. *Article IV Mission*

"Myanmar's public sector is overextended. The organization and governance structure is weak. There is lack of transparency and accountability in decision-making."  
- ADB. 2012. *Myanmar in Transition*

"Myanmar is in the early stages of building a new sense of trust in government."  
- McKinsey & Company. 2013. *Myanmar's moment: Unique opportunities, major challenges*.

When examining how well the public sector is performing, the public tends to focus on 'outcome indicators' which measure what matters to them, such as schools, hospitals or roads. However, it is not always easy to attribute poor outcomes to the government's actions. For example, while access to public health services is an important contributor to a population's life expectancy, other factors such as access to nutritious food, clean water, the level of social and economic equality are also important.

With this qualification in mind, we review a number of social and economic indicators drawn from the reports issued by the United Nations<sup>14</sup> and the World Bank.<sup>15</sup> If improving living standards is one of the main expectations that people have of government today, then the record of the public sector in Myanmar is mixed. Although the level of per capita income in Myanmar is comparable to many of its neighbors, the country ranks lower than neighbors on the United Nations Human Development Index (see Table 6).

**Table 6: Measuring Government Performance using Outcome Indicators**

Indicator	Myanmar	Neighboring Countries
<b>Income</b>		Thailand 13,364
Gross national income per capita (US\$ purchasing power parity)	3,998	Vietnam 4,892
		Lao PDR 4,351
		Cambodia 2,805
		Bangladesh 2,713
<b>Human Development</b>		Thailand 89
Human Development Index (Ranking out of 187 countries)	150	Vietnam 121
		Cambodia 136
		Lao PDR 139
		Bangladesh 142

Source: UNDP Human Development Report 2014

*Economic outcomes:* "Myanmar today is one of the poorest countries in South East Asia. With a population of 51.4 million, the country has a per capita GDP of US\$1,105, and the poverty rate is 37.5 per cent, one of the highest in the region ... Myanmar's level of development used to be on a par with

<sup>14</sup> United Nations Development Programme. 2014. *2014 Human Development Report—Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience*. New York: United Nations.

<sup>15</sup> World Bank. 2014. *Myanmar: Ending Poverty and Boosting Prosperity in a Time of Transition*. Washington, DC: World Bank.

countries such as Thailand and Malaysia only a few decades ago; today it is much lower, comparable with Lao PDR and Cambodia.”

*Social equality outcomes:* Inequality in Myanmar is low. Myanmar achieved by far the best outcome on inequality in the region, with a Gini co-efficient (a widely used measure of inequality) below 30. The worst performers on inequality are the People’s Republic of China and the Philippines with Gini co-efficients nearing 45.

*Health outcomes:* Health outcomes in Myanmar are mixed. Myanmar has significantly improved maternal health over the last two decades, with maternal mortality rates now below most countries in the region. However, child mortality rates, malnutrition and tuberculosis rates are all high relative to other ASEAN countries. Myanmar has recently increased health expenditure seven-fold to about 1.3% of GDP, placing it above the low-income country average of 0.8%.

*Education outcomes:* Education outcomes in Myanmar are comparable in some areas with other countries in the region, though completion rates are poor and quality is considered a problem. Myanmar has achieved secondary school enrolment rates comparable to other countries in the region. Although Myanmar recently doubled education expenditure to about 1.6% of GDP, it is still well below the average for low income countries of 3.3%.

*Road outcomes:* Rural road coverage in Myanmar has improved significantly over the last 20 years. Between 1988 and 2011, the rural road network increased from 7,850 to 57,700 kilometers. Many rural bridges were also constructed over this period. Nevertheless, reaching parts of the country continues to be difficult, with many roads impassable during the monsoon season. In absolute terms, road density in Myanmar remains low.

*Electricity outcomes:* Access to electricity in Myanmar is still relatively limited. About 30% of the population has access to the public grid and a further 19% have access to other sources of electric power. This places Myanmar at 49%, ahead of Cambodia (31%) and Bangladesh (46%) but behind Lao PDR (63%), Indonesia (73%), India (75%) and Vietnam (97%).

In addition to outcome indicators, development economists often focus on process indicators. These try to measure *how* governments achieve things instead of just looking at what they do.

The World Bank has created a global database of Governance Indicators<sup>16</sup> for all the countries in the world. These indicators track a country’s progress against many public sector governance issues, including the rule of law, media freedom, public administration, public financial management, and corruption. Myanmar generally performs poorly compared to other countries in Southeast Asia and the rest of the world. Regarding the rule of law, Myanmar has one of the lowest scores possible. Recent reforms have, however, lifted Myanmar’s scores in some areas. Media freedom is one example (see Table 7).

**Table 7: Governance at a Glance: World Bank Global Governance Database**

	<b>Myanmar</b>	<b>East Asia</b>
<b>Rule of Law</b>	1.0	3.8
<b>State Legitimacy</b>	0.5	2.3
<b>Media Freedom</b>	4.5	4.5

Source: World Bank. 2015. Global database of governance indicators. [www.agidata.org](http://www.agidata.org).

<sup>16</sup> World Bank global database of governance indicators. [www.agidata.org](http://www.agidata.org).

The World Bank has also developed a set of five technical indicators to use in an assessment of the quality of a country's public sector management (a Country Policy and Institutional Assessment–CPIA). These indicators are: 1) property rights and rule-based governance; 2) quality of budgetary and financial management; 3) efficiency of revenue mobilization; 4) quality of public administration; and 5) transparency, accountability and corruption in the public sector.<sup>17</sup>

The World Bank undertook a CPIA for Myanmar in 2013.<sup>18</sup> Table 7 presents the assessment Myanmar's public sector performance against the CPIA's five indicators, with ratings on a scale from 1 (low) to 6 (high).

**Table 8: Quality of Public Sector Management and Institutions in Myanmar**

World Bank's criteria and rating	TAF-CESD research team's additional assessment
<b>1. Property Rights and Rule-Based Governance</b>	
<p>Criterion: "the extent to which private economic activity is facilitated by an effective legal system and rule-based governance structure in which property and contract rights are reliably respected and enforced"</p> <p><b>Rating: 2.5</b></p>	<p>Myanmar performs poorly against this criterion due to systemic weaknesses in the judicial system. Companies often rely, for example, on informal mechanisms to enforce contracts and many international businesses seek to establish contract enforcement processes offshore in jurisdictions such as Singapore.</p>
<b>2. Quality of Budgetary and Financial Management</b>	
<p>Criterion: "the extent to which there is a comprehensive and credible budget linked to policy priorities; effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and timely and accurate accounting and fiscal reporting including timely and audited public accounts and effective arrangements for follow up"</p> <p><b>Rating: 3.0</b></p>	<p>Myanmar performs poorly against this criterion for several reasons. Line ministries tend to prepare budgets with only very limited policy direction from the central economic agencies. The actual expenditures diverge substantially (20+%) from the approved budget in composition and sometimes in amount. There is a high level of extra-budget expenditure that is not included in fiscal reports. While the Office of the Auditor-General does play a role in countering waste and mismanagement, the Parliament generally lacks sufficient financial information to assess the efficiency and effectiveness of service delivery.</p>
<b>3. Efficiency of Revenue Mobilization</b>	
<p>Criterion: "assesses the overall pattern of revenue mobilization, not only the tax structure as it exists on paper, but revenue from all sources as they are actually collected"</p> <p><b>Rating: 3.0</b></p>	<p>We would assess Myanmar's performance against this criterion lower than the World Bank's assessment because the tax base is limited, with low levels of tax raised from income taxes. Tax administration is weak and tax obligations tend to be negotiated, leading to the public perception that corruption is widespread among tax and customs officials. While there has been some improvement in the legal basis of taxation, a modern system of laws and regulation has yet to emerge.</p>

<sup>17</sup> World Bank Group. 2015. Global database of governance indicators. [www.agidata.org](http://www.agidata.org)

<sup>18</sup>World Bank Group. 2015. Country Policy and Institutional Assessment Database <http://data.worldbank.org/indicator/IQ.CPA.PUBS.XQ>

<b>4. Quality of Public Administration</b>	
<p>Criterion: “the extent to which central government personnel including teachers, health workers, and police are structured to design and implement government policy and deliver services effectively. Key dimensions for assessment are: policy coordination and responsiveness; service delivery and operational efficiency; merit and ethics; pay adequacy and management of the wage bill.”</p> <p><b>Rating: 2.5</b></p>	<p>Myanmar performs poorly against this criterion, and substantial reform is needed. On the positive side, the civil service wage bill is sustainable, with scope for increase. Wage and salary levels taking into account non-salary benefits can make civil service employment relatively attractive, though there are difficulties attracting skilled technical personnel. Policy coordination mechanisms are underdeveloped and not robust enough to counter the bureaucratic autonomy of line ministries and state economic enterprises. Administrative structures are fragmented, and business processes involve many layers with even relatively minor decisions elevated to cabinet. While civil service recruitment and promotion is formally merit based, there are reports of extensive patronage in some parts of government. In most ministries, senior positions in the civil service are almost entirely occupied by former military officers.</p>
<b>5. Transparency, Accountability and Corruption in the Public Sector</b>	
<p>Criterion: “the extent to which the executive can be held accountable for its use of funds and the results of its actions by the electorate and by the legislature and judiciary. It covers the accountability of the executive to oversight institutions and of public employees for their performance; access of civil society to information on public affairs; and state capture by narrow vested interests”</p> <p><b>Rating: 2.5</b></p>	<p>Myanmar performs poorly against this criterion. There is a widespread perception that corruption is extensive, with cronies benefitting from access to the regime. The military continue to have an extensive role in government, state economic enterprises and the private sector. Recent reforms have, however, improved the situation. Myanmar’s ranking in the Transparency International Corruption Perception Index recently jumped 20 places to 157 out of 177 countries. Formal external accountability mechanisms are in place, including the Office of the Auditor General and parliamentary committees; however they are still relatively new and often lack access to the information necessary for them to play their role effectively. Government agencies still tightly control basic information needed by the public to assess their performance; however independent media are now playing an active role in scrutinizing government actions.</p>
<p>Average of the public sector management and institutions criteria</p> <p><b>Rating: 2.7</b></p>	

Overall, Myanmar received a rating average of 2.7 against the five CPIA public sector management indicators in 2013. For comparison with Myanmar’s neighboring countries, the World Bank rated Cambodia at 2.8, Bangladesh at 2.9, Lao PDR at 3.1, and Vietnam at 3.5.<sup>19</sup>

This gives Myanmar a rating similar to ‘fragile states’, a term used to describe low-income countries with weak state capacity (see Box 16).

<sup>19</sup>World Bank Group. 2014. CPIA database. <http://data.worldbank.org/indicator/IQ.CPA.PUBS.XQ>

### Box 16: Myanmar's Paradox: A Strong or a Fragile State?

Myanmar is a 'militarized state' but paradoxically it is not a 'strong state'. In many respects, the history of military intervention in Myanmar's political sphere is a symptom of state weakness.

The government of Myanmar has not been able to strongly directed economic and social policy, unlike development states in Asia such as South Korea or Singapore. As indicated in Table 7, the budget is a weak policy instrument as expenditure categories and amounts may not match the budget passed by Parliament. Laws and regulations are weak, allowing officials a high level of discretion. Thus, as indicated by the World Bank's assessment of five key aspects of public sector management, Myanmar has some characteristics of a 'fragile state'.

Nowhere is the government's weakness more apparent than in taxation. Since collecting taxes is a fundamental government activity, development economists often use tax revenue as a proxy for state capacity. In Myanmar, the tax-to-GDP ratio is one of the lowest in the world at just 3 to 4%. Governments have sometimes resorted instead to less effective, even coercive, 'taxes' on the public instead, such as labor levies.

However, Myanmar has shown that it has the capacity to reform. When the government decides to pursue a course of action, one way or another, it will be implemented. This quality sets the country apart from what the international community commonly calls 'fragile states'.

## Section 4. The Strengths of Public Sector Reform in Myanmar

While the public sector indicators presented above rank Myanmar below other countries in the region, the country's dramatic change in direction since 2011 demonstrates its potential to overtake other countries' public sector reform efforts, and through reforms, improve the economy and citizens' lives. In some areas, the government's track record on public sector reform is encouraging. International experience on public sector reform shows that success in some areas lays the foundation for further reforms.

One of Myanmar's most important public sector reforms was that of liberalizing telecommunications by ending the monopoly of the Ministry of Communication and Information Technology, and through public tendering, enabling two private telecommunications companies to offer services in Myanmar. This reform has significantly reduced the price of mobile phones and calls, and made mobile phone service available to millions more people. (For details see Box 17).

The government has also begun cutting 'red tape' by streamlining 'business processes'. For example, in 2014, the government cut the time it took to issue passports from 21 to 10 days, it cut the passport fee in half from around US\$50 to US\$25, and it opened 15 additional passport offices in the states and regions so that people no longer have to travel to Yangon or Mandalay, previously the only two passport offices.<sup>20</sup> These passport-related reforms, as well as ending decades of severe restrictions on citizens' movement, have opened up opportunities for work and study abroad.

Another important reform is decentralizing decision making from the Union to the township, as part of what the president calls 'people centred development'. As previously discussed, township committees have been created with citizen participation so that the views of the public are heard when preparing township development plans.

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<sup>20</sup> <http://www.mmbiztoday.com/articles/myanmar-govt-opens-15-new-passport-issuing-offices>

### **Box 17: The Politics of Reform: Liberalization of Telecommunications**

In late 2014, two international telecom companies, Ooredoo of Qatar and Telenor of Norway launched new mobile phone and 3G internet services in Yangon, Mandalay and Nay Pyi Taw. The two companies were awarded operating licenses by the Ministry of Communication and Information Technology through a competitive tendering process that has been widely praised for fairness and transparency. This ending of the ministry's monopoly on telecommunications has not only made cell phone service much cheaper and more widely available, it shows that the government is committed to reforming state economic enterprises.

However, undertaking telecommunications reform was challenging for the government. Myanmar Post and Telecommunications had been providing people of influence with profits for many years, and denying most people a valuable service. Prior to 2011, a subscriber identity module (SIM) card cost as much as US\$5,000 and often involved bribing officials.

The circle of reform-minded technical experts appointed by President U Thein Sein to advise his office recommended reforming telecommunications because after North Korea, Myanmar had the lowest rates of internet and phone coverage in the world. The president's advisors also drew on international evidence to show that improving telecommunications would have important economic and social benefits, and they countered critics by showing that the government would earn more revenue by auctioning licenses.

As part of the policy that allowed private companies to compete with Myanmar Post and Telecommunications, the president's advisors proposed that the Ministry of Communication and Information Technology become a regulating agency, and over time, that Myanmar Post and Telecommunications be corporatized. With support from a World Bank team of international experts, the law regulating telecommunications, which dated back to 1885, was updated with a new draft law and regulations. The government also engaged the international consulting firm, Roland Berger, to assist in conducting the tendering process.

When the draft telecommunications law was submitted to Parliament for approval in October 2012, opponents used their influence to try and block the draft. In June 2013, one day before the ministry was to announce the winners of the public tender for telecommunications licenses, parliamentary opponents passed an emergency motion to block the licensees, and 18 months of painstaking work was threatened with failure.

In response, the newly-independent media accused opposing members of Parliament (MPs) of supporting the interests of cronies ahead of citizens who were eagerly awaiting affordable mobile phone services. To settle the issue, the president made it clear to MPs that he supported the reformers and warned that Myanmar's credibility with international investors was at risk. The new law was passed the next day with overwhelming support.

The telecommunications reforms were also attacked from a surprising quarter. Several foreign embassies lobbied the President's Office and the ministry to change the tendering criteria to favor companies from their own countries. Again the president and his ministers resisted. They explained that the tendering process had been designed by international experts to meet international procurement requirements and aimed to achieved the best outcome for the people of Myanmar.

Since the two winning companies, Telenor and Ooredoo, began providing services, Myanmar Posts and Telecommunications announced in July 2014 that in the coming 10 years, the Japanese company KDDI, backed by Sumitomo Corporation, would finance a US\$2 billion upgrade of its mobile network.

Based upon interviews in Yangon and Nay Pyi Taw, November 2014

The government has also embarked on a number of other public sector reforms, which although not well-known, are intended to improve the everyday functioning of government.

These reforms include improving cabinet processes, the civil service training curricula, and the aid coordination mechanism. A new public financial management strategy has been developed, and new or updated public sector-related laws came into effect—from the Civil Service Personnel Act to the Anti-Corruption Act.



The 2008 Constitution provides an opportunity to transform the public sector if its provisions are properly implemented. For example, the constitution stipulates a democratic framework for public administration that formally separates the executive, legislative and judicial functions of government, and this requires major reform of how the civil service operates.

The 2008 Constitution makes the executive formally accountable to Parliament. This means that civil servants must work with whichever government is elected by the people, and they must to be prepared to justify their decisions to parliamentary committees. Civil servants must provide professional and impartial advice on policy, and civil servants must operate according to the law.

The 2008 Constitution also established a federal form of government that shares power between the Union Government and new state and region governments. This reform has very significant implications for the public sector in Myanmar. If properly implemented, the federal system requires the Union Government to delegate responsibility for delivering public services to the states and regions. The federal system also responds to one of the key causes of conflict in Myanmar—the central government’s dominance in making decisions and controlling resources.

## Chapter Four: Options for Public Sector Reform in Myanmar

This final chapter presents options for thinking about public sector reform in Myanmar. The first question concerns how to begin the public reform process. This is a challenge for any government embarking on public sector reform and requires thinking 5, 10, 15 or even more years into the future. It is even more challenging for Myanmar when there are so many urgent priorities, including a nationwide peace process, improved basic services to citizens, rebuilding a professional and responsive civil service, job creation, and regional and international integration.

This chapter aims to clarify how best to think about public sector reform and considers what can be learned from technical experts about how to sequence public sector reforms. Ultimately when governments embark on public sector reform, they must start by considering their political priorities. Although these priorities have changed from one type of government to another in the decades since independence, there is surprising continuity between the challenges that governments have faced in the past, and those that governments are likely to face in future.

### Section 1. Public Sector Reform

As we have outlined earlier in this paper, Myanmar's public sector is extremely complex, involving nearly one million people who work on a wide range of activities from public service delivery to staffing different industries. Their activities affect the lives of many people.

When thinking about public sector reform, however, we should focus on those activities that seek to drive systemic and sustained improvements in the public administration of the state, its role and functions, as well as the effectiveness and efficiency of core civil service institutions.

We believe that this is a useful working definition of public sector reform because it draws our attention to *systemic and sustained* improvements in public administration; it encourages us to think about the *appropriate role of the state* in relation to civil society; and finally, it encourages us to think about reform in terms of *institutions*.

#### **Public sector reform: a working definition**

Public sector reform concerns activities that can drive systemic and sustained improvements in the public administration of the state, its role and functions, as well as the effectiveness and efficiency of core civil service institutions.

In recent years, in countries around the world, governments have been trying to make their public sectors more effective. This involves asking questions such as: What is the appropriate role of the state? Which activities are best undertaken by government and which by businesses, cooperatives or non-government organizations? How can public accountability and oversight be improved? How can the civil services be managed more effectively? (See Box 18)

Some typical public sector reform goals are to:

- Sustain public spending
- Improve service delivery
- Increase efficiency and value for money
- Increase transparency and accountability

- Strengthen the strategic management of government
- Decentralize functions to sub-national government
- Improve public sector leadership and management
- Engage citizens

**Box 18: Market Failure**

One powerful rationale for the role of government is provided by the discipline of economics. Economic theory suggests that markets can be very efficient instruments for maximizing public welfare. However, there are circumstances in which markets fail to deliver optimal outcomes for a variety of reasons.

For example, when a single firm supplies the market, there is often a lack of competition. As a result, many countries have nationalized ‘natural monopolies’ such as railways.

‘Public goods’ and ‘externalities’ both present a powerful case for government. The maintenance of law and order is a classic example of a public good. The problem of pollution is an example of an externality. Sir Nicholas Stern, for example, has called ‘global warming’ created by carbon pollution ‘the greatest market failure of all time’.

Other circumstances where markets fail and governments need to step in include information or systematic failures such as those that caused the global banking crisis of 2008 and mass unemployment. Even when markets are ‘efficient’, they can still give rise to circumstances where people do not have enough to eat. Poverty and income inequality are other examples of market failure that justify a role for government in the redistribution of income and wealth.<sup>21</sup>

Much of the literature on public sector reform is written with the concerns of wealthy OECD countries in mind. Since the 1980s, in English-speaking countries such as the United States, the United Kingdom, Canada, Australia, and New Zealand, the ideology of neo-liberalism<sup>22</sup> has tended to frame how problems are viewed and promote a reduction in the oversight and size of government. However, in the aftermath of the global financial crisis of 2008, which some blame on lack of government regulation, this orthodoxy has started to change.<sup>23</sup>

Myanmar’s concerns, however, are unique to Myanmar. In the early post-independence years, the key challenge for the government was to exercise its sovereignty. The expansion of the public sector was driven by the desire to assert Burmese control over the economy, and to create a welfare state that overcame the colonial legacy of limited access to education and health services.

Decisions about which reforms are most important today is a matter for Myanmar’s citizens to decide through public debate. To help inform this public debate, the next section summarizes opinions from public sector management experts on how reforms could be sequenced.

**Section 2. Sequencing Reforms**

Myanmar has many urgent public sector reform priorities. The challenge then is to decide on the sequencing of reforms. Which reforms need to start now, and which reforms can wait until later.

<sup>21</sup> For a more detailed discussion of these issues, see Joseph Stiglitz. 2000. *Economics of the Public Sector*.

<sup>22</sup> One of the inspirational figures for the neo-liberal New Public Management school, President Ronald Reagan, famously declared in the 1980s, “Government is not the solution to the problem; government is the problem!”

<sup>23</sup> Economists had, however, challenged the relevance of New Public Management thinking for developing countries much earlier than the financial crisis in 2008 (Schick 1998).

Technical experts can provide advice to help the government and citizens decide which reforms need to start immediately. For example, in early 2013, a group of advisers to the government prepared a *Framework for Economic and Social Reforms* that they hoped would also provide guidance to the international development community wishing to support the reform process in Myanmar.<sup>24</sup>

The first priority for public sector management experts is usually action to improve public financial management, and Myanmar's *Framework for Economic and Social Reform* concurs with this by proposing macroeconomic reforms, and making management of public finances as its first priority.

Experts advise that a government can achieve 'quick wins' by managing public finances better, redirecting money to where it is most needed and improving tax collection. To cut down on the waste of government finances, Myanmar's experts have advised ministries to institute transparent, competitive procurement and audit state economic enterprises. The Ministry of Finance in Myanmar is implementing a strategy to improve the management of public finances and working closely with the IMF and World Bank on issues such as tax administration.

A second priority for reform is strengthening the 'center of government'. The Office of the President plays a key role here because it leads policy coordination, formulation, communication, and addresses problems as they come up during the course of reform.

Leadership is always necessary if reforms are to succeed. Government leaders such as the president need to explain changes to the public, as well as listen carefully to what the public say about the progress of reforms. Obstacles may arise or reforms not proceed according to plan. When this happens, the president needs to step in, as was discussed above in Box 17 when members of Parliament tried to stop telecommunications reform.

To ensure that reforms are carried out effectively, the president has tasked deputy ministers to head up 'delivery units' that consult throughout the country on the progress of reforms. In this regard, new cabinet committees have been set up to coordinate policy reforms in key areas such as the economy, land and the public service. While the lack of experience in Myanmar in implementing fundamental reforms of this kind has generated mixed results at times and public consultation is a new practice for the government, it is important to recognize the effort being made to engage the public in formulating new policies and in carrying out reforms.

A third priority on which public sector management specialists agree is helping countries to overcome internal divisions. This is particularly relevant for Myanmar as unresolved conflicts can set a country's social and economic development back many years, as shown in a recent World Bank study (see Box 19).

#### **Box 19: The Cost of Conflict and the Need for a Political Settlement**

The World Bank's World Development Report for 2011 makes a powerful case regarding the destructive impact that conflict has on development. Countries experiencing major violence over the period covered by the study (1981–2005) had a poverty rate that was a staggering 21 percentage points higher than countries that saw no violence over this period. The report concludes that ending conflict, and achieving an 'inclusive enough' political settlement, has to take precedence over all other interventions in conflict and post-conflict situations.

Myanmar has been in a state of civil war almost continually since 1948. In this country, the cost of war can be counted not only in the number of people killed and injured but also in the hundreds of thousands who have been displaced. Estimates suggest that 500,000 people have died in more than 40 years of civil strife (Smith

<sup>24</sup> *Framework for Economic and Social Reforms*. 2013.

[http://www.themimu.info/sites/themimu.info/files/documents/Ref%20Doc\\_FrameworkForEconomicAndSocialReform2012-15\\_Govt\\_2013%20.pdf](http://www.themimu.info/sites/themimu.info/files/documents/Ref%20Doc_FrameworkForEconomicAndSocialReform2012-15_Govt_2013%20.pdf)

1999). Others suggest that at least 50,000 members of the *Tatmadaw* (Myanmar Armed Forces) have been killed in combat (Callahan 2005). Entire villages in the border states have periodically been forced to flee the fighting and relocate elsewhere.

The conflict has also seriously skewed Myanmar's development priorities. Throughout much of the 1960s and 1970s, for example, estimates of the military's share of state spending reached a remarkable 40% to 60%. Even in 2011, military spending was still extremely high at 23.5%. By contrast, spending on health and education amounted to just 5.4% of state expenditure.

Perhaps the most profound impact of that Myanmar's unrelenting civil war has had on development has been fundamentally distorting the form of the state that emerged after 1948. Mary Callahan's study on the impact that 60 years' of war with ethnic minorities has had on state formation shows the extreme militarization of state-society relations. She concluded that "In twentieth century Burma, warfare created state institutions that in many situations cannot distinguish between citizens and enemies of the state."

The ceasefires that were negotiated across the country in 2013 were an essential first step towards breaking this cycle of violence. The peace talks between the government and ethnic armies will have significant implications for the future prospects for public sector reform in Myanmar.

President U Thein Sein described his government's reforms as a "transition from authoritarianism to democracy". This transition involves addressing the two issues that have dominated Myanmar's politics for the last 60 years—the relationship between the military and civilians, and the relationship between people who are ethnically Bamar, and the one-third of the population who are ethnic minorities.

Myanmar's recent reforms have taken some daring steps in this area. One of the boldest has been the establishment of new state and region governments that gives some expression to the political demands of the public, and especially those of ethnic minorities. The next step in this process will be to see important powers transferred from the Union to the state and region capitals.

There are many other public sector reforms that have an impact on decentralization such as the desire to move towards a modern, professional, and inclusive civil service. Civil service positions need to be open to all Myanmar citizens, and civil service training needs to reflect the democratic values of the 2008 Constitution.

The decision of President U Thein Sein to establish township committees to inform development planning is consistent with a more democratic approach to public administration. This has the potential to help decentralize government as well as give the public a voice in local administration, the level that has the greatest impact on them. People will quickly judge whether or not such reforms are succeeding, so it is crucial that consultation with the public is genuine and effective.

Reforms of state economic enterprises are a major change from the previous authoritarian regime but such reforms are still nascent. The privileges of the military-owned holding companies are being withdrawn in some sectors, and they are now increasingly expected to operate like other businesses. As previously discussed, when the government awarded new telecommunications licenses, they did not award them to cronies but instead conducted an open, transparent and competitive tendering process. This is an important reform experience that should be studied and shared across all ministries.

Beyond the three general priorities—strengthening the center of government, improving public financial management, and creating an inclusive political settlement—public sector management specialists emphasize the need to ensure that reforms are sensitive to a country's political and historical context.

As argued in Chapter 2, many historic questions about how to conduct public reform in Myanmar continue to be relevant today. These are: How to build effective state institutions? How to decentralize power from Nay Pyi Taw to the township administration? How to distribute government functions between the Union Government and state and region governments? How to structure state economic enterprises so that the benefits of prosperity are enjoyed by all? How to transition from an authoritarian to a democratic form of public sector governance?

As stated previously, we believe that it is very important for Myanmar to learn from its own, often forgotten, history of public sector reform (see Box 20).

**Box 20: Learning from Myanmar's History of Public Sector Reform**

Historic experiences with public sector reform that are relevant today include:

- Permanent Secretaries between 1948 and 1972
- State governments between 1948 and 1962
- Managing state economic enterprises between 1948 and 1988
- Managing decentralization between 1948 and 1988
- Transitioning from the Civil Service Commission to the Union Civil Service Board

The research available on public sector reform in Myanmar from 1962 to the present is very limited but in recent years, universities such as the Yangon Institute of Economics have established programs in public administration, and relevant research should soon be available from them.

As stated previously, Myanmar can also learn much from other countries' experience on the sequencing of public sector reforms when transitioning from authoritarianism to democracy. Learning from the former 'People's Democracies' in Europe, for example, could be very valuable because from 1974 to 2008, Myanmar's administrative and political system was closely modeled on these countries (see Box 21).

**Box 21: Lessons From Transition: The Former 'Peoples Democracies'**

In the 1990s, the former 'People's Democracies' in Europe including Latvia, Lithuania, Estonia, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Serbia, Croatia, Slovenia, and Bosnia-Herzegovina underwent major restructuring of government and public administration.

Some of the most important changes included:

- strengthening the Office of the President, whose role now included a much stronger policy formulation, political management, and public communication function.
- strengthening the policy formulation capabilities of central agencies and line ministries, which had previously received policy direction from party organizations.
- restructuring Ministries of Finance, whose role changed from a limited accounting and treasury function to a leading central agency responsible for the entire public financial management system.
- restructuring Ministries of Home Affairs, whose role changed from internal security to a more democratic administrative model.
- transforming civil service management institutions which previously had a political aspect to recruitment and promotion, and an ideological focus on training.
- phasing out government agencies with roles more suited to an extensive regime of state economic planning.
- establishing new government institutions with accountability to Parliament and the public.
- corporatizing or privatizing many state economic enterprises.

These reforms involved major changes to the structure of government. Most senior officials were replaced.

Many other civil servants received severance packages or were redeployed to new agencies. New training programs were introduced that reflected the new approach to public administration.

In the 1990s, the OECD's SIGMA Programme (formerly known as Support for Improvement in Governance and Management in Central and Eastern European Countries) with support from the European Union, helped the former 'People's Democracies' to transform their systems of government and public administration to suit a much more democratic state.

Lessons from OECD's SIGMA Programme can be found at: <http://www.sigmaweb.org/publications/>

### **Section 3. Options for Public Sector Reform in Myanmar**

This final section discusses possible options for public sector reform in Myanmar. In doing so, it draws on the advice of international experts on how to sequence reform and emphasizes the need for public sector reform to contribute towards resolution of conflicts within the country.

This discussion of public sector reform is shaped by what President U Thein Sein calls Myanmar's 'transition from authoritarianism to democracy.' As previously explained, this transition must address the two key issues that have dominated Myanmar's politics for more than 60 years. The first is the relationship between the military and civilians, and the second is the relationship between Bamar and non-Bamar citizens.

Interviews conducted for this study revealed that there are many different perspectives on the priorities for reform. We present below our contribution to this discussion—a framework to consider public sector reforms in seven 'key results areas'.

#### **1. Strengthening the center of government**

The president and the cabinet have an important role to play in leading the government's reform agenda. The Office of the President provides political leadership, strategic direction, policy coordination, public communications, and reform tracking across the entire government.

The government of President U Thein Sein has already introduced innovative reforms in these areas, starting with the new cabinet structure. The government now communicates far more effectively with the public than its predecessors. Several reform taskforces, including one on peace negotiations, have also been set up which are led by senior ministers in the Office of the President. Working relationships with Parliament have also been established, helping to speed the development of legislation.

Lessons on Myanmar's reform experience over the past four years that could benefit future governments include the following:

It is critical to establish strong and regular communication with the public, Parliament and the civil service to achieve successful public sector reform. An expanded media unit could be created within the Office of the President that would encourage the ministry information staff to be more open and transparent. This would help build trust, increase awareness, and encourage public participation in the reform process.

Leadership and coordination by the center is important for complex reforms that involve many ministries and challenging politics. A new taskforce could be set up in the Office of the President to 'fast track' policy formulation on how to best divide up the functions of delivering education, health care and other services between the Union and state/region governments.

A strong cabinet committee system is essential for comprehensive, well-coordinated government policy formulation and implementation. With support from a better resourced cabinet secretariat, new cabinet committees could provide policy direction and follow up on implementation.

In this regard, Myanmar could learn from the experience of countries such as South Korea, where every president since the democratic transition of the early 1990s has taken a leading role in driving public sector reform (see Box 22).

**Box 22: How the Office of the President Has Driven Public Sector Reform in Korea**

Since the 1990s, every president in South Korea has established a presidential committee that has a mandate to drive public sector reform.

President Roh Tae-Woo (1988–1993) focused on democratization of public administration following the transition from military rule. He established a Presidential Committee on Administrative Reform that asked questions about the appropriate role of government, and reduced government regulations and decentralized power.

President Kim Young-Sam (1993–1998) introduced a significant restructure of government to improve policy coordination. He established a Presidential Committee on Administrative Innovation that proposed a ‘super ministry’ system that attempted to rationalize functions. The powerful Economic Planning Board, for example, was merged with the Ministry of Finance to create the new Ministry of Finance and Economy.

President Kim Dae-Jung (1998–2003) introduced a wave of reforms following the 1997 Asia Financial Crisis that were based on New Public Management. He established a Presidential Committee Promoting Government Reform that focused on management reform, state enterprise reform, deregulation, and anti-corruption. Among his signature reforms were the introduction of the senior executive service into the civil service, and the establishment of service agencies that managed practical functions such as issuing driver’s licenses.

President Roh Moo-Hyun (2003–2008) focused on making government more open, transparent and responsive to the public. He established a Presidential Committee on Government Innovation and Decentralization that pursued public sector reforms in e-government, personnel management, and local government.

President Lee Myung-Bak (2008–2013) continued the focus of his predecessors on public sector reform. He established a Presidential Council on National Competitiveness that placed emphasis on deregulation.

**2. Progressing public financial management reform**

The management of public finances has a very important role to play in the transition from authoritarian to democratic government.

The Ministry of Finance has worked closely with international agencies like the IMF and the World Bank to implement important reforms such as the new Central Bank of Myanmar Law. The Ministry of Finance’s public financial management reform strategy includes improvements to tax administration, fiscal policy, and state enterprise monitoring. Further reforms in this area might include one or more of the following:

The budget needs to be restored to its position as the government’s most important statement of public policy. Parliament and the public need to understand and be able to contribute to government decision making on public revenue and expenditure. This means that information on public finance needs to be more widely available (see Box 23).



### Box 23: The Open Budget Initiative

Providing the public with information on government budgets as well as opportunities for the public to participate in decision making can improve policy outcomes. By contrast, restricting access to information creates opportunities for governments to hide unpopular, wasteful, and corrupt spending, ultimately reducing the resources available to fight poverty.

Every few years, the International Budget Partnership produces the Open Budget Survey, which tracks the performance of more than 100 countries against three criteria: budget transparency, budget participation and budget oversight. In 2012, Myanmar received a score of 0 out of 100 because it provided almost no information to the public in its budget documents. Cambodia, Thailand and Vietnam all performed much better than Myanmar.

Now that Myanmar has a Parliament and independent media with an interest in budget outcomes, there is a growing demand for information on government budgets and spending. The Open Budget Survey report on Myanmar includes a list of actions that the minister of finance and the speaker of the Parliament should undertake to improve information on public finance. These actions include:

- Publishing the budget proposal, the approved budget, in-year reports, the mid-year budget review, the year-end report, and the audit report, all of which are currently produced for internal use only.
- Producing and publishing a pre-budget statement and a citizens' budget.
- Ensuring that Parliament has the internal capacity to analyze the budget and conduct a pre-budget policy debate and also has the legal authority to engage in discussion with government on budget priorities and to amend the budget.

The *Open Budget Survey* report is available at <http://internationalbudget.org/wp-content/uploads/OBI2012-MyanmarCS-English.pdf>

Authoritarian governments usually have priorities that differ from those of democratic governments. As already discussed, due to recent military rule, Myanmar still spends a high proportion of its budget on military and capital expenditure and a very low proportion of its budget on education.

Myanmar is now earning more revenue from the quickly expanding oil and gas sector, and while this revenue could greatly benefit the country, the government must guard against the 'resource curse'. It is important that Parliament and the general public have confidence in how Myanmar's natural resources are being developed. Myanmar's membership in the Extractive Industries Transparency Initiative is a first step in this direction.

### 3. Promoting a professional civil service

Professionalizing the civil service can contribute to overcoming the distrust that many citizens have towards government and the civil service.

The government has introduced a new Civil Service Personnel Act to help to move towards a modern, professional, inclusive civil service. Further reforms in this area might include:

***Making civil service positions open to all Myanmar citizens.*** This will involve changes in recruitment and promotion practices. One of the legacies of the previous military government is that most civil servants at the director general or deputy director general level are former military officers. Also women and ethnic minorities continue to be under-represented in the civil service.

***Providing civil service training needs to reflect the democratic values of the constitution.*** This requires modernizing the curricula and teaching methods used in the Union Civil Service Board's training institutes in Phaunggyi and Mandalay and the GAD's Institute of Development Administration.

The previous authoritarian military regime used basic civil service training as a form of indoctrination. More modern and interactive teaching methods should be introduced and curriculum updated to reflect democratic values. Training should prepare civil servants for new work responsibilities such as advancing the market economy and regional and global integration.

***Strengthening the strategic management of the civil service.*** In many countries, a Ministry of the Public Service or a Public Service Commission with a strong strategy and policy role manages the civil service. In Myanmar, successive authoritarian governments weakened the Union Civil Service Board in order to politicize civil service appointments. A review of the strategic management of the civil service could provide advice on options for reform. Given the paramount importance of the GAD as the ‘steel frame’ of the country’s public sector, a similar review of the strategic management of the GAD is also needed.

#### **Box 24: Asia's Civil Service Personnel Management Institutions**

Many countries in Asia have historically had centralized personnel management systems that exercise control over personnel management and professional standards. In the British administrative tradition, public service commissions were established to ensure merit-based recruitment and promotion practices, often using competitive examinations and other objective recruitment and promotion criteria.

In Malaysia, the Public Service Department manages core personnel management functions. There are separate commissions for the recruitment of other government employees such as police, teachers, railway workers, and legal and judicial employees.

In Singapore, the Ministry of Finance looks after personnel management through its Public Service Division and Budget Division. The Public Service Division manages policy, coordination, pay and grade structures, training, and productivity. The Budget Division manages establishment control, a term that refers to the ways in which the government determines the right number of public sector staff at different levels and with the right mix of skills. Most other personnel management matters have been delegated to line ministries. The Public Service Commission now focuses on recruitment to the elite senior executive service, discipline and appeals.

In India, the Union Public Service Commission manages the recruitment by examination into the All India Civil Services which consist of the India Administrative Service (IAS), the India Police Service (IPS) and the India Forestry Service (IFS). The Ministry of Personnel, Public Grievances and Pensions manages personnel issues for the IAS, IPS and the IFS. State civil service commissions recruit civil servants into the state bureaucracies in India.

In recent years personnel management functions in OECD countries have usually been delegated to line ministries. In many developing countries, however, the priority has been to ensure well functioning, merit based and accountable central recruitment mechanisms. Delegation of functions, however, can increase corruption and inequity and exacerbate the problems of weak administrative systems.

#### **4. Establishing effective state and region governments**

The creation of new state and region governments is one of the boldest public sector reforms in Myanmar’s political history. It overturns a tradition of highly centralized government decision making that goes back to British-ruled India.

The 2008 Constitution initiated a major change to public administration by establishing sub-national governments for states and regions. Much of the legal and administrative basis for sub-national government, however, has yet to be put in place. Further policy work is, therefore, necessary to consider an appropriate distribution of functions between the Union Government and the states and regions.

Myanmar can learn from the experience of countries such as India, Malaysia and Australia that have successfully allocated functions between the central government and sub-national government. The

government could select an important sector such as education and consider, as part of a policy review, the implications of allocating various responsibilities to the Union Government and to state and region governments.

Joint analytical work of The Asia Foundation and the Myanmar Development Resource Institute's Centre for Economic and Social Development highlights the need for a better approach to decentralization than has been the case so far. Towards this, the government should develop a decentralization framework and designate an agency to develop policy on decentralization and oversee its implementation. This would enable the government to present a proposal to Parliament at an appropriate time on how to revise the constitution so that the powers of state and region governments are more comprehensively described in Schedule Two of the constitution.

## **5. Improving service delivery.**

President U Thein Sein's policy of 'people centered development' has two key parts: prioritize the people's basic needs such as better electricity supply, drinking water, irrigation, and jobs; and involving the public in township-level committees that play an active role in shaping the decisions that affect their lives.

Reforms already started by the president include cutting 'red tape' to simplify business procedures, and making it easier, faster and cheaper to get passports so that many more people can study and work abroad.

Along with setting up township committees to involve citizens in local decision making, citizens should also have access to a public complaints mechanism at the township level. At present, the public has few avenues for questioning the decisions and actions of public officials. President U Thein Sein has called for a change in public officials' 'mindset' and a complaints mechanism is one way to contribute to this.

### **Box 25: Malaysia's Public Complaints Bureau**

"Although public complaints may be unpleasant to the ear, they are valuable information that government agencies cannot ignore. They usually represent many unspoken issues and provide useful hints as to where service delivery can be further improved. Government agencies should welcome complaints!" (Dr. Tam Weng Wah, Public Complaints Bureau, Prime Minister's Department, Malaysia).

In the 1970s, Malaysia created a Public Complaints Bureau to look at complaints made by the public against government agencies. The most common grievances are against government officials who provide a poor level of service or who are discourteous. The public can also complain about administrative decisions that are unfair and unlawful, or that involve misconduct or maladministration.

The Public Complaints Bureau is backed by the authority of the Office of the Prime Minister. The Chief Secretary, Malaysia's top civil servant, chairs the Permanent Committee on Public Complaints. The bureau is supported by a professional staff who are able to investigate important complaints themselves, as well as follow up on actions taken by government ministries.

The bureau plays an important role in identifying nationwide or high impact issues that could contribute to improving service delivery across the board.

The Office of the President plays an important role in setting targets for strategic priorities and tracking their implementation. A reform priority is, therefore, to improve the quality of performance information provided to government so that it can monitor performance. At present, there is very little information available to government, the Parliament or the public on the quality of services.

Robust monitoring and evaluation systems have proven to be critical to the success of public sector reform efforts and improved service delivery around the world.

There are many other improvements to service delivery that can be undertaken in specific ministries, related to matters such as health, electric power, agriculture, and irrigation. This paper does not discuss these in detail as they should be dealt with by the relevant ministers and their advisers, rather than as part of a wider public sector reform approach.

## **6. Clean government and anti-corruption.**

Unchecked corruption can have a significant impact on social and economic development. Myanmar has one of the lowest ranks in the world when it comes to public perceptions of corruption, and this likely contributes towards the public questioning the legitimacy of government.

The government has asked the Bureau of Special Investigations and the Office of the Attorney-General to take the lead on anti-corruption initiatives. An anti-corruption committee has been established, chaired by the president and a new anti-corruption law has been enacted.

Further reforms are necessary, however. The government's anti-corruption strategy needs to change its approach to focusing on the 'basics'—in particular, making fundamental improvements in the management of public finance.

Improved tax administration can quickly cut corruption. Under the present system, businesses negotiate their tax payments with local tax officers, often without clear knowledge of what are the established tax rates. This kind of practice, once established, is not only detrimental to the integrity of government but also institutionalizes corrupt behavior within the public sector. It also means that the government does not collect the revenues it should, and thus has less to spend for the benefit of citizens. Modern tax administrations have introduced a variety of basic anti-corruption measures to stop bad practices such as this from taking hold, from publicizing clear tax guidelines to implementing modern financial management methods such as online payments..

Open competitive public procurement practices can reduce corruption and result in better value for money for the public. The president has stated his support for competitive tenders, but the government lacks a basic procurement law. As a result, government ministries follow their own procurement practices.

The awarding of licenses, especially in natural resource sectors, has historically been a major source of corruption in Myanmar. The Anti-Corruption Committee needs to ensure that key extractive ministries such as mines, energy and forestry have effective systems in place to manage the risk of corruption.

### **Box 26: Hong Kong's Anti-Corruption Commission**

In the 1970s, Hong Kong's police force and civil service were wracked with corruption. The British governor established an Independent Commission Against Corruption (ICAC), with a mandate to end systemic corruption in government.

The ICAC model had a 3-fold approach. First, it raised public awareness of corruption. Second, it sought to prevent corruption through better systems. Third, it enforced the law against corruption. By the 1990s, the ICAC had transformed Hong Kong's public administration from one of the most corrupt to one of the most honest in Asia.

The ICAC offers important lessons for Myanmar. A successful anti-corruption strategy has to emphasize the three 'legs of the stool': awareness, prevention and enforcement. A law enforcement approach alone cannot succeed

if corruption is perceived as 'normal' or if government financial management systems are so weak it is not even clear what constitutes corrupt behavior.

## 7. Reforming state economic enterprises.

State economic enterprises are likely to continue to play a very important role for some time in Myanmar's economic and social development. Recent reforms to state economic enterprises are a departure from past authoritarian regimes. The special privileges of military-owned holding companies are being withdrawn, and they are now expected to operate like any other businesses. Also, awarding telecommunication licenses in an open and transparent process to the most competitive bidders, rather than to government cronies, has set a powerful example.

Further reforms in this area might include:

Improving the corporate governance of state economic enterprises, and especially of those in the oil and gas sector, is critical. In some countries, state oil companies have a history of operating like a 'state within a state'. Improvements to board governance and to audit and reporting procedures are priorities.

Corporatization of some state economic enterprises is likely to prove complicated because it will be necessary to disentangle state economic enterprises from their parent ministries. The employment status of state economic enterprise personnel might also change so that they no longer receive the same terms and conditions as civil servants.

### Box 27: Singapore's State Economic Enterprises

Singapore's state enterprises have played an important role in the country's economic success. Even in recent years, state enterprises have continued to account for 21.8% of GDP, one of the largest state enterprise sectors in the world. Singapore's state enterprises are also global investors, taking advantage of the privatization programs of some OECD countries to expand their strategic reach.

Singapore's state enterprises present interesting models of corporate governance. Government statutory Boards such as the Public Utilities Board, the Housing Development Board and the Economic Development Board have a traditional state enterprise structure. These boards have remarkable influence in society: the Housing Development Board houses over 80% of the resident population.

Government-linked companies are enterprises in which Temasek Holdings, the government holding company, has a controlling interest. This includes companies such as Singapore Airlines, Singapore Power, Singapore Telecommunications, Singapore Mass Rapid Transit, Port of Singapore Authority International, Neptune Orient Lines, Chartered Semiconductor Manufacturing, Singapore Technologies Engineering, Sembawang Shipyard, and the Development Bank of Singapore (now DBS).

Temasek Holdings has a portfolio of US\$223 billion, with about 30% of its investments in Singapore. Its sole shareholder is the Ministry of Finance. Temasek Holdings is incorporated in Singapore under the Companies Act and operates as a commercial investment holding company. It operates as a private company but publishes an Annual Report, Temasek Review ([temasekreview.com.sg](http://temasekreview.com.sg)).

## Conclusion

This study has focused on public sector reform in Myanmar because it is essential to the ongoing, historic transition from an authoritarian to a democratic system. As such, the authors believe strongly that public sector reform is an issue that concerns everyone in Myanmar.

In the course of preparing this paper, we met with a range of individuals inside and outside of government and found that much common ground is shared among reform-minded people across the political divides in Myanmar, more than polarized party political debates and media reports sometimes suggest. Political trust, however, is a precious commodity, and one of the greatest challenges for the reform process is to restore trust between the state and the public.

This paper argued that a sustained peace settlement is an important precondition for a successful transition from authoritarian to democratic forms of public sector governance. Public sector reform can contribute in many ways towards the restoration of public trust in government based on the transformation of civil-military relationships and Bamar-ethnic and religious relations.

Table 9 presents a matrix of options for public sector reform that draws on the lessons from Myanmar's history and recent reform experience. The options are not intended as a plan for the future; rather they illustrate some ways in which public sector reform can contribute to a successful transition from authoritarian to democratic forms of governance.

If governments were to delay reform until they had a grand statement of sequenced reforms in place, the waiting time for reform would be very long and the public would continue to suffer. The gap between public expectation and what is actually being delivered would also continue to widen. Instead, this paper takes a practical approach and highlights some pressing problems that can be tackled now so that reforms can be broadened and deepened over time.

We believe strongly that public sector reform is an issue that concerns everyone in Myanmar and hope that all stakeholders in Myanmar will participate: government, Parliament, political parties, the media, the private sector, as well as civil society, and all will find this paper helpful in taking forward the discussion of public sector reform already underway in the country. Likewise, we hope that the international development community will also find the research findings and analysis useful for program considerations.

In sum, we hope that this research paper will contribute to progress towards the public's desire for a peaceful, prosperous and inclusive nation, as reflected in The Asia Foundation's 2014 nation-wide survey on civic knowledge and values in Myanmar.

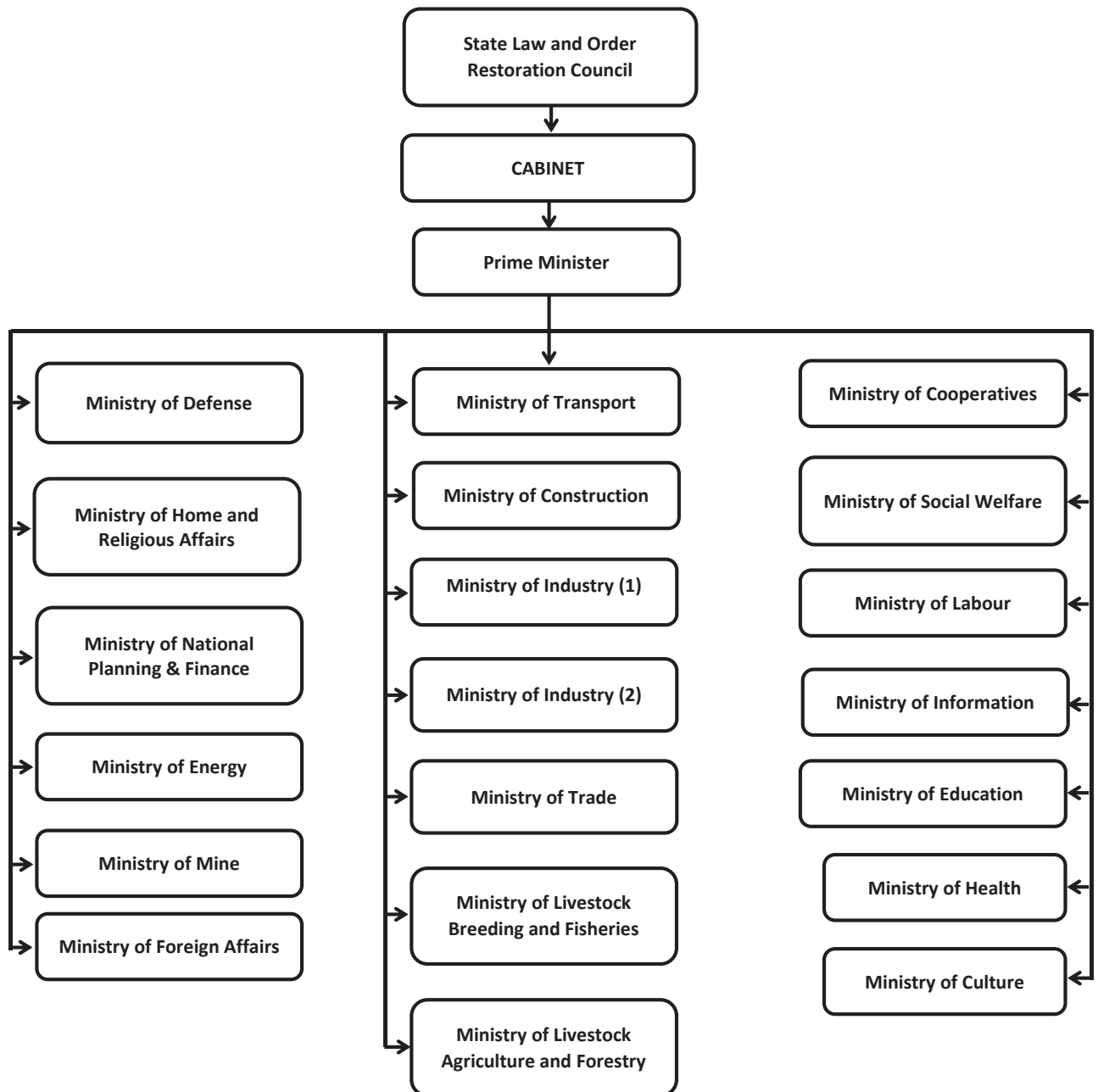
**Table 9: Options of Public Sector Reform in Myanmar**

#	Public Sector Reforms	Reason	Examples
1	Strengthening the center of government	Good leadership is necessary for reforms to succeed. The government needs to explain changes to the public as well as listen carefully to what people are saying about the progress of the reforms. When obstacles arise, the president may need to step in.	Strengthen the policy capability of the civil service by establishing reform policy units in the Office of the President.  Expand the media unit in the Office of the President to provide the public with better information on the progress of reforms.

2	Progressing public finance reform	The government can achieve quick wins by managing public finances better, redirecting money to where it is most needed and improving tax collection.	<p>Improve the budget process so that Parliament and the public have access to information and can contribute to government decision making on public revenue and expenditure.</p> <p>Strengthen the Ministry of Finance's role to provide line ministries with policy direction on budgets.</p>
3	Promoting a professional civil service	A modern, professional and inclusive civil service that reflects the ethnic and religious diversity of the country is an important step towards restoring public trust in government.	<p>Open civil service positions to all Myanmar citizens by improving merit-based recruitment and promotion practices.</p> <p>Ensure civil service training reflects the new democratic values of the constitution and promotes the rule of law.</p>
4	Consolidating state and region government	Establishing effective state and region governments is an important contribution towards a sustainable peace settlement.	<p>Establish a taskforce in the Office of the President to fast track policy on Union, state and region government responsibilities in a sector such as education.</p> <p>Prepare draft amendments to Schedules One and Two for the Constitutional Committee.</p>
5	Improving service delivery	The government needs to demonstrate that the reforms translate into better public services in sectors like health, education, water and sanitation, irrigation, and roads.	<p>Introduce a public complaints mechanism that citizens can access at the level of the township administration.</p> <p>Establish basic performance information systems so that cabinet can track progress in service delivery.</p>
6	Supporting clean government	Overcoming widespread corruption can help both to restore public trust in government and to improve service delivery.	<p>Improve tax administration practices to cut corruption and end widespread tax evasion.</p> <p>Reduce waste by ensuring government ministries follow competitive procurement practices.</p>
7	Reforming state economic enterprises	State economic enterprises make a significant contribution to Myanmar's economic and social development.	Improve corporate governance practices for state economic enterprises, including those in the oil and gas sector, as well as military-controlled holding companies to make them more effective and accountable.

## Annex 1: Different Structures Used by Previous Burma/Myanmar Governments

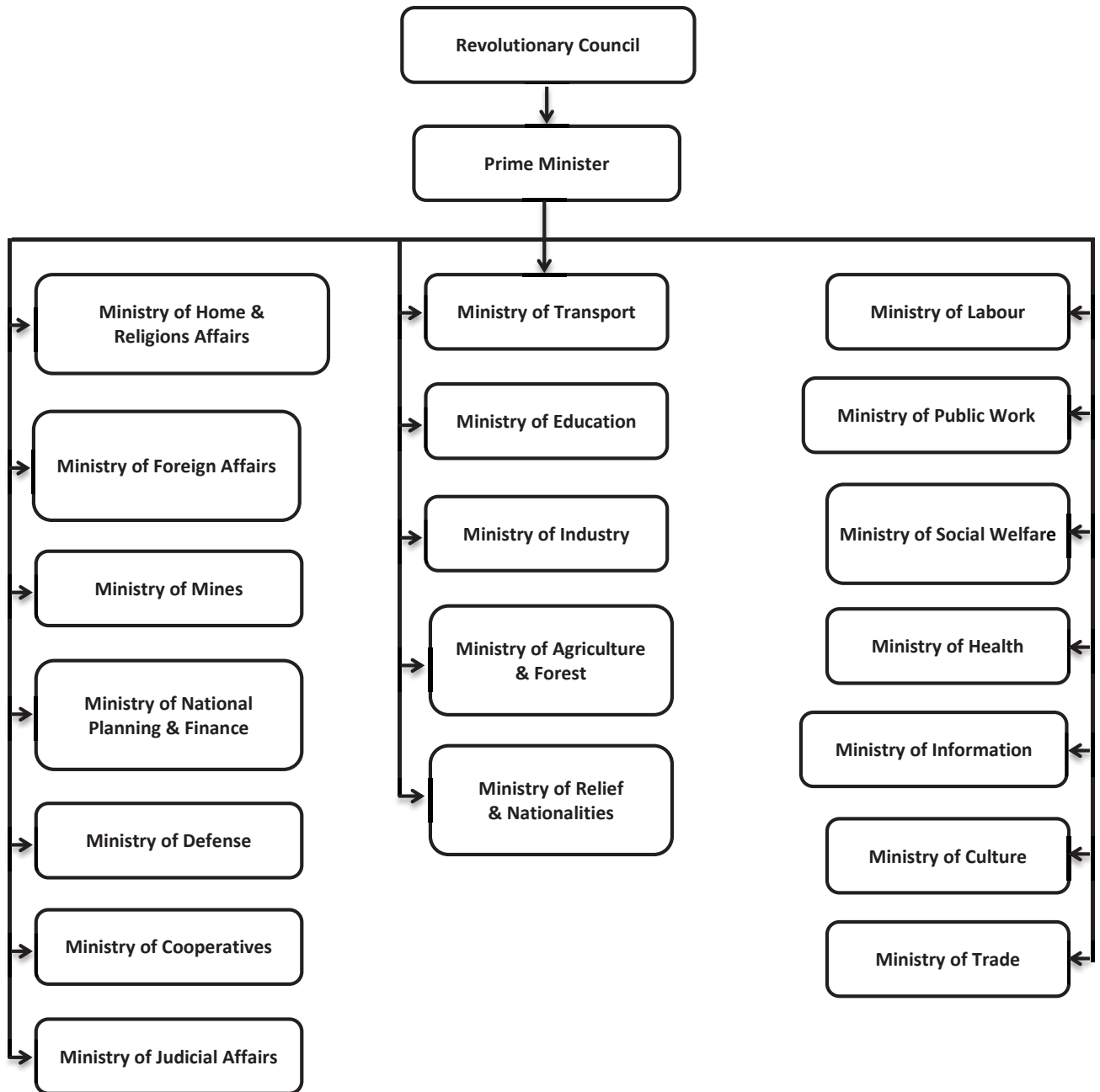
### Structure of Government of the Union of Myanmar State Law and Order Restoration Council Period (1988–1991)



Source: Kyaw. 2004. *Changes in Territorial Administrative Structures and Role of Public Administrators in Myanmar*. p. 89.

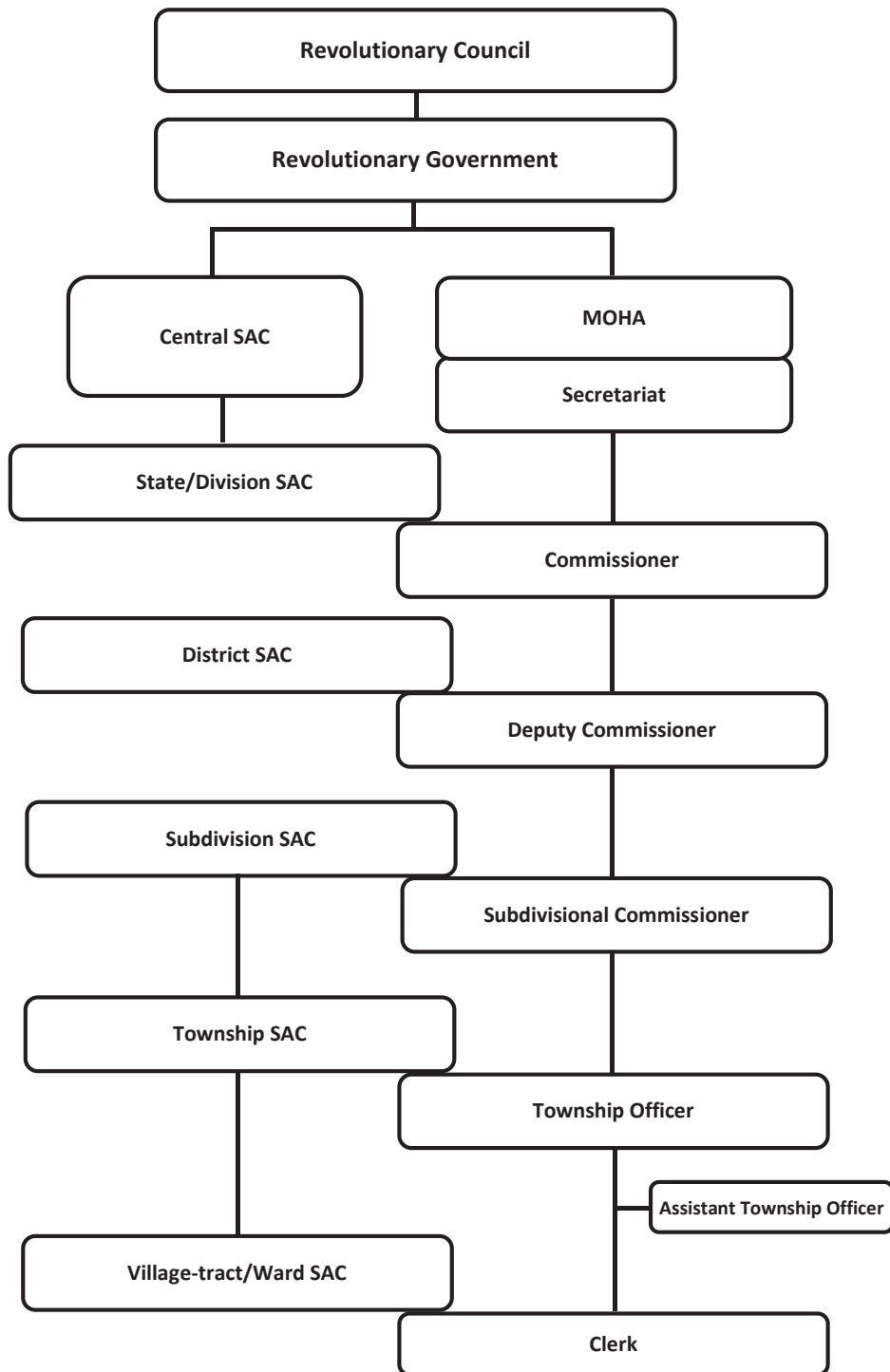


**Structure of Government of the Union of Myanmar at the National Level  
Revolutionary Council Era (1962–1972)**



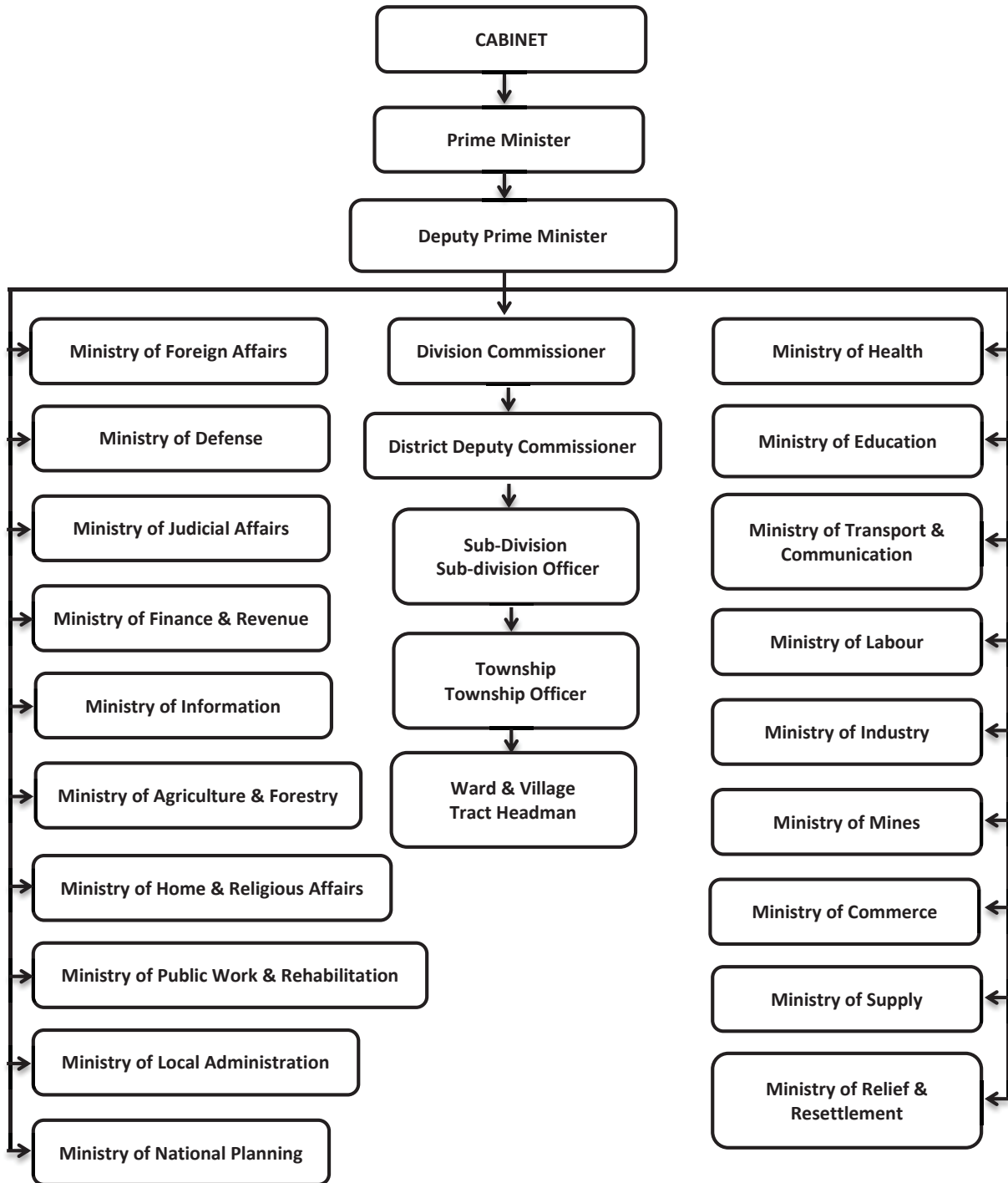
Source: Kyaw. 2004. *Changes in Territorial Administrative Structures and Role of Public Administrators in Myanmar*. p. 85

**Levels of Government  
Revolutionary Council Era (1962–1972)**



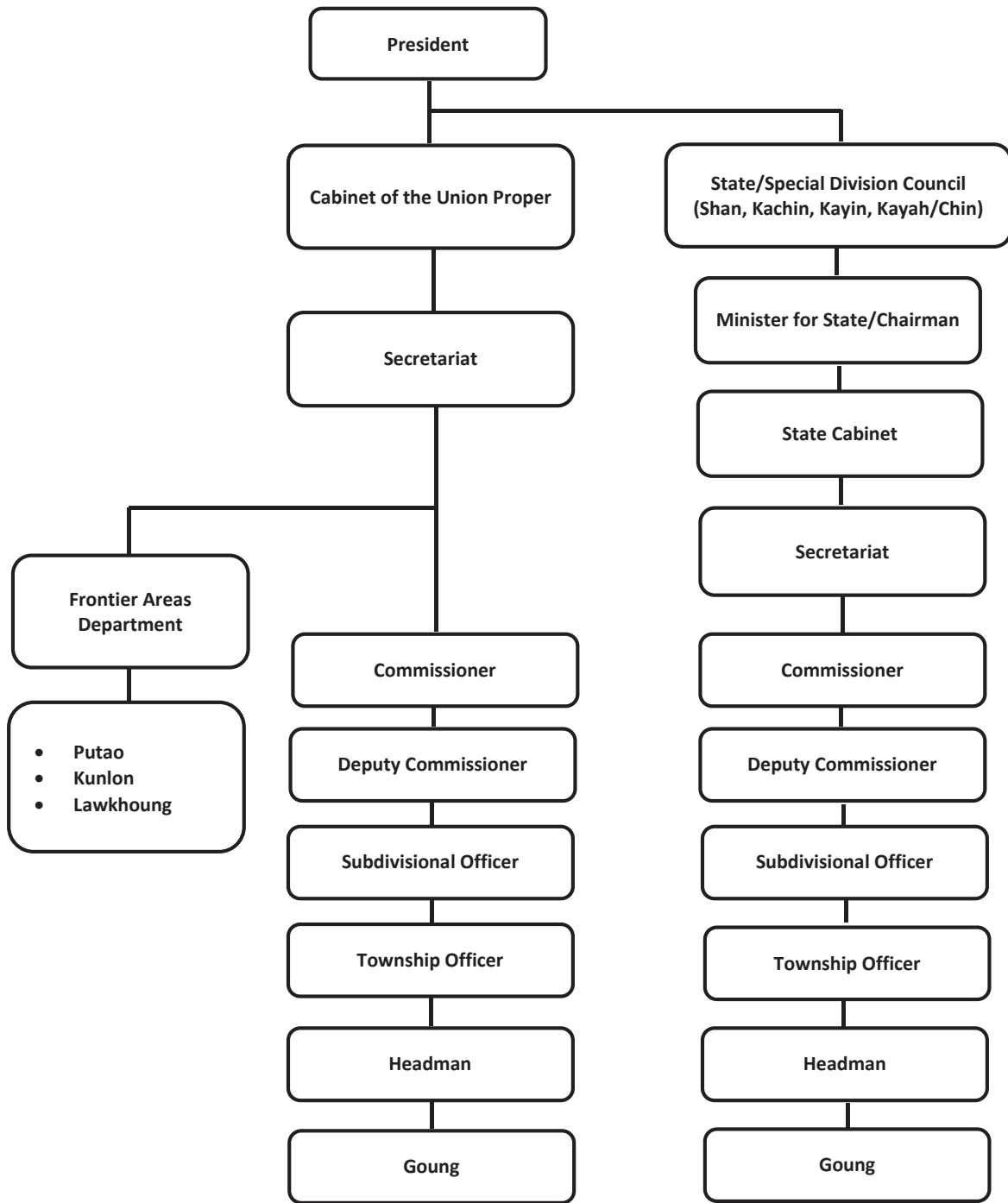
Source: Ne Tun. 2010. *Changes in Administrative System and the Role of General Administration in Myanmar*, p. 83

**Structure of Government of the Union of Myanmar  
Parliamentary Government Era (1948–1952)**



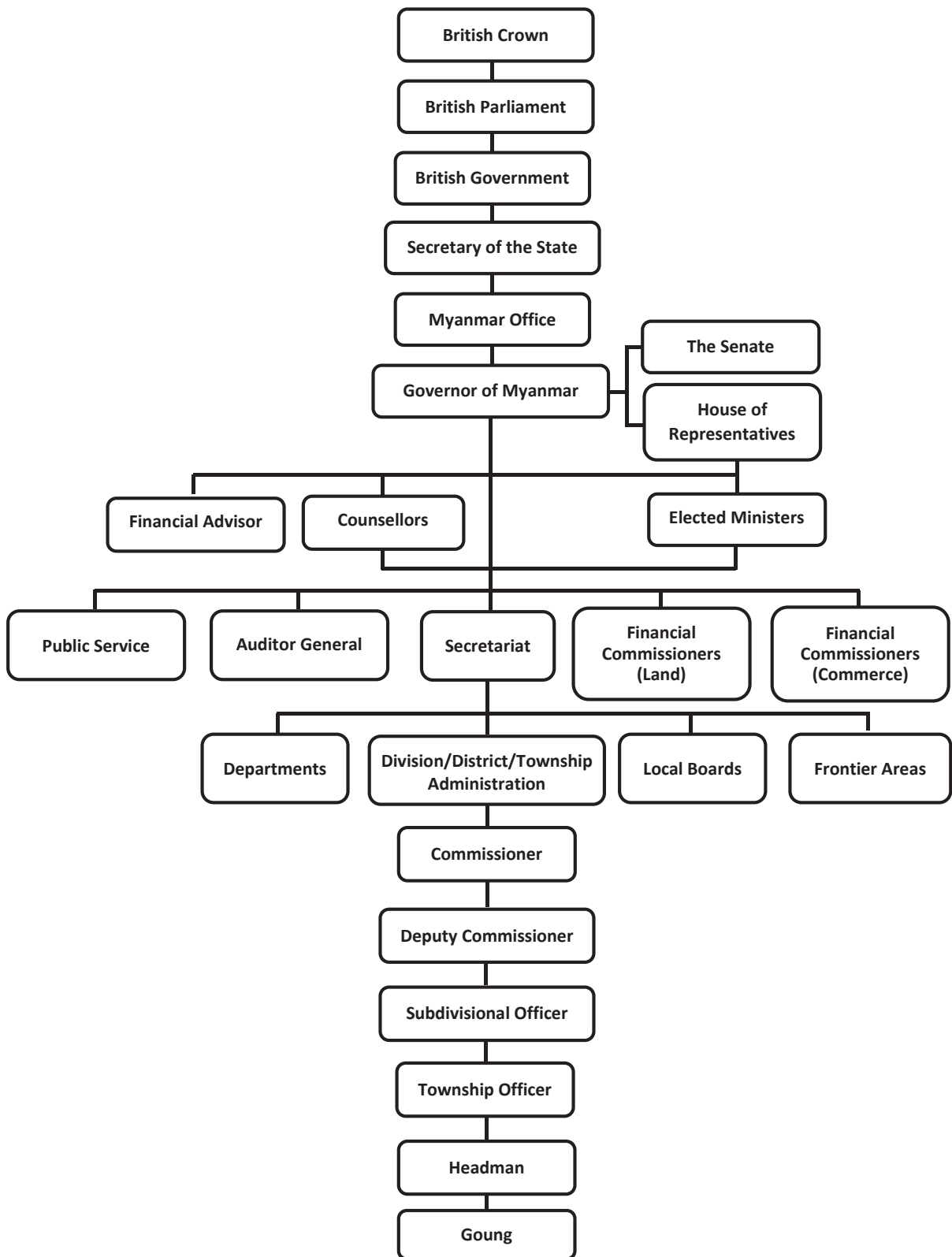
Source: Kyaw. 2004. *Changes in Territorial Administrative Structures and Role of Public Administrators in Myanmar*. p. 81

**Levels of Government  
Parliamentary Government Era (1948–1962)**



Source: Ne Tun. 2010. *Changes in Administrative System and the Role of General Administration in Myanmar*, p. 80

### British Administration in Myanmar (1937–1942)



Source: Ne Tun. 2010. *Changes in Administrative System and the Role of General Administration in Myanmar*, p. 77

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## **The Asia Foundation**

No.21, Bo Yar Zar Street  
14 Ward, Kyauk Kone  
Yankin Township  
Yangon, Myanmar