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ECONOMIC DEVELOPMENT ASSISTANCE IN BURMA BILATERAL, MULTILATERAL AND FDI ASSISTANCE

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ECONOMIC DEVELOPMENT ASSISTANCE IN BURMA

BILATERAL, MULTILATERAL AND FDI ASSISTANCE

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ABSTRACT: This document briefly reviews development assistance and FDI in Burma over the past twenty years.

Sources of this information include the Asian Development Bank, USAID, AUS Aid, DFID, the UNDP, as well as other policy reports and website papers.

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ECONOMIC DEVELOPMENT ASSISTANCE IN BURMA

The literature on non-U.S. donor assistance and foreign direct investment to Burma is limited to a few primary sources likely due to that government's recent repressive and isolated history

MULTILATERAL ASSISTANCE

ASIAN DEVELOPMENT BANK (ADB)

Burma is a part of the multilateral Association of Southeast Asian Nations (ASEAN) and joined the World Trade Organization (WTO) in 1994. The primary development oriented trade regime for Burma, the Asian Development Bank (ADB) has historically emphasized multi-sectoral programs revolving around infrastructure development and growing regional economies. The ADB's broadest initiative of note, the Greater Mekong Subregion Economic Program (GMS), began in 1992 and originally included Burma, Cambodia, Laos, Thailand, Vietnam, and the Yunnan Province of the People's Republic of China (PRC). The ADB's emphasis on market integration rather than institutional integration avoids partisan laws and quarrelsome agreements that may stall growth, and relies on "non-official institutions that provide public and quasi-public goods that reduce transaction costs associated with the international movement of goods, services, and other production factors".¹ According to Menon and Cassandra Melendez, GMS has increased living standards and human development outcomes, and greatly reduced poverty with steadily growing foreign direct investment (FDI).² Burma's gross domestic growth rate, in fact, has surpassed its regional partners' rates over 15 years, starting from -1% in 1991 and maintaining about a 12% growth rate each year until 2010.³ However, this is despite Burma's trade openness decrease in 2004. (See P. 14 of Menon and Cassandra Melendez). Burma's exports, usually primary commodities, mainly went to its GMS partners, its ASEAN partners and China (PRC) with small amounts going to the European Union, Japan and the U.S.⁴ Finally, foreign direct investment (FDI) in Burma has dropped dramatically in comparison to its GMS partners since 2009.⁵

Burma, being a part of the Asian Development Bank's GMS initiative, has benefitted from lessons learned over the GMS's nearly two decades-long history.

¹ Menon, Jayant and Anna Cassandra Melendez. 2011. Trade and Investment in the Greater Mekong Subregion: Remaining Challenges and the Unfinished Policy Agenda. ADB Paper #78. P. 6.

² Ibid. P. 1.

³ Ibid. See Figure 1, P. 2.

⁴ Ibid. Figure 4, P. 16.

⁵ Ibid. See Figure 8, P. 21.

Rather than relying on straight unilateral or multilateral donor assistance, GMS encouraged Burma's use of the importance of strong ownership and close coordination with its partners in advancing regional cooperation initiatives.⁶ Burma and its GMS partners did recognize the importance of the active participation of other donor agencies, civil society, and the private sector in the subregional cooperation process and its implementation. The GMS saw the need for strong secretariat support for designing, organizing and coordinating sub-regional cooperation activities; and the importance of effective coordination within the Bank (ADB) so that ADB can effectively perform its role as lead development partner and facilitator of the GMS program.

In contrast to the GMS, earlier and more conventional Asian Development Bank donor projects in Burma varied and included infrastructure and utilities reform (including the Power Transmission Project and the Rangoon Water Supply Project totaling \$19 million), agriculture and agro-industries, transport and communications, energy, non-fuel minerals, and the development finance institution sector.⁷ The ADB also provided technical assistance (TA) for 38 projects for a total of \$11.3 million of which 51 percent was utilized for advisory purposes and the remaining 49 percent for project preparation purposes.⁸ The ADB evaluators deemed three of five agricultural projects as most successful, while the Crop Intensification Program (1981) appeared to be successful in boosting fertilizer and crop production. The one food production project evaluated, the Fisheries Development Project earned positive marks while the crucial First Forestry Project also succeeded in increasing timber production.⁹ Three energy projects focusing on electricity production, oil refinement and non-fuel minerals generally improved existing outputs as did social infrastructure (water and sanitation, hospitals). The Bank noted several lessons learned including: 1) the need to avoid project design shortcomings that result in delays and cost overruns 2) the need for more experience on the part of the executing agencies to implement the projects 3) the need for closer Bank supervision 4) the impact of the domestic price distortion in the economy, that does not promote efficient utilization of resources.¹⁰

⁶ See "Promoting Subregional Cooperation Among Cambodia, People's Republic of China, Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam (Phase III)" 2005.

⁷ Country synthesis of post-evaluation findings in Myanmar. 1996. ADB. P. 2.

⁸ Ibid.

⁹ Ibid. P. 7.

¹⁰ Ibid. P 13-15.

UNITED NATIONAL AGENCIES

The UNDP was administering the “Promoting Gender Equality in Rural Communities through the Human Development Initiative in Myanmar” right before Cyclone Nargis struck in 2008, altering its operation to more of an emergency and relief response. As a result, the role of gender did become a point in future post-recovery situational planning: to enhance the participation of women in income-earning ER activities and reduce their burden of care for children, sick and elderly. (See ASEAN-UN-Myanmar Government Post Nargis Assessment Report (PONJAR), report in references).

The cyclone relief program permitted opportunities to initiate advocacy and social mobilization methods to reduce gendered vulnerability to GBV, HIV/AIDS, and trafficking as well as to advancing the role of women in future emergencies. The Nargis experience also allowed a chance to provide gender mainstreaming advice to the Protection of Children and Women (PCW) cluster, to provide technical input to BCPR on the implementation of an Eight Point Agenda, to conduct a peer review of the World Bank Social Impact Assessment of the Nargis response from a gender perspective, and to prepare a text for the UN/INGO shadow report to CEDAW and inputs on CO management documents such as ROAR and the scorecard.¹¹

BILATERAL ASSISTANCE

AUSTRALIA

The Australian Development Agency (AusAID) has one of the most extensive portfolios of conventional development projects of any bilateral agency in Burma.¹² Health is the largest sector with AusAID contributed \$18.5 million to the Three Diseases Fund (3DF) that ran from 2006-2012 with other contributing donors including the United Kingdom, the European Commission, the Netherlands, Norway, Sweden and Denmark. Other health projects include the Health Post Nargis Recovery and Preparedness Plan (PONREPP) for \$3.5 million from 2010–2012, the Polio immunization campaign for \$640,000 in 2011, the Reducing Avoidable Blindness in Burma Project for \$1 million from 2007–

¹¹ UNDP Program: Promoting Gender Equality in Rural Communities through the Human Development Initiative in Myanmar
http://www.beta.undp.org/content/undp/en/home/ourwork/womenempowerment/ttf/ttf_funding/asia_and_the_pacific.html

¹² See AusAID website:
http://www.ausaid.gov.au/country/cbrief.cfm?DCon=7603_3421_1124_2053_2981&CountryID=8493641

2012, the Mae Tao Clinic for migrants and refugees (\$1.5 million from 2011–13), and several cyclone response programs including a Water and Sanitation Cyclone Nargis package, and Flood Response package often in collaboration with UNICEF and the World Health Organization.

AusAID also has an education program, the Multi-Donor Education Fund (MDEF) for \$8.7 million from 2006–2012 working with UNICEF. AusAID invests in general food security (\$5 million from 2010 – 11) and the Livelihoods and Food Security Trust Fund (LIFT) program (\$19 million from 2009–2013) with the UK, EC, Switzerland and Sweden. AusAID contributes to cross-sectoral development programs in Burma including Juvenile Justice (\$1.7 million from 2007–2011), Relief Programs for Burmese Refugees (\$1.6 million from 2010–11) and Vocational Training for Refugees (\$1.5 million from 2011–13).

Additionally, AusAID has backed capacity development in civil society by funding NGOs in Burma including CARE Australia for health and livelihood security, Marie Stopes International for Access to Sexual and Reproductive Health and for Burnet Institute for strengthening HIV responses. The Paung Ku Project (\$ 2.3 million from 2007–2012) builds the capacity of new and existing national NGOs and community-based organizations while the AusAID NGO Cooperation Program (ANCP) (\$900,000 from 2010–11) works along the Thai-Burma border.

Finally, AusAID's regional collaborative projects in Southeast Asia includes countering trafficking in persons (\$21 million from 2006–2011), HIV/AIDS Asia Regional Program (HAARP) (\$65 million from 2007–2015), and working with ASEAN (the ASEAN+3 Emerging Infectious Diseases Program Phase 2 program, and the ASEAN Australia Development Cooperation Program (AADCP).

UNITED KINGDOM (DFID)

The largest bilateral donor in Burma is the United Kingdom, a country that governed Burma from 1885-1948.¹³ The British Government recently declared its broad development objectives to be empowering local actors, improving health and reducing child and maternal mortality and focusing on long-term strategies to assist children. The Department of International Development claims it will spend approximately £46 million per year in Burma until 2015.¹⁴ Broken down by sector, these funds allocate about a third of the total budget for emergency response including recent cyclone and hurricane activities, about a sixth for agriculture, population programs and basic education, about a sixth for health

¹³ "Thant Myint-U The shared history of Britain and Burma". *The Daily Telegraph* January 9, 2012. <http://www.telegraph.co.uk/comment/3558192/The-shared-history-of-Britain-and-Burma.html>

¹⁴ See DFID Website: <http://www.dfid.gov.uk/where-we-work/asia-east--pacific/burma/>

programming, and the remainder for all other activities.¹⁵ The year 2008 saw the greatest expenditures with approximately £47 million followed by 2011 with £37 million.

DFID pinpoints specific targets in its development strategy. Its health programs are targeting 57,500 women to have at least four antenatal checks during their pregnancy, and to help reduce 153,000 unintended pregnancies. 500,000 women and men will also receive treatment to lessen drug-resistant malaria.¹⁶

Its education programs will assist over 200,000 children to finish primary school by 2015, focusing on community and monastic schools that provide education to some of the poorest and most vulnerable children in Burma, as well as assisting 110,000 more women with access to financial services to help them buy food, send their children to school and meet their medical needs.¹⁷ Another program hope to increase farmers' food production so they can sell more on the market, and another helps displaced Burmese living in Thailand.¹⁸

In its assistance delivery model, DFID emphasizes an approach that utilizes partnerships with the UN, the British Council and NGOs, along with a decentralized office with UK and local staff in the British Embassy in Rangoon and support staff in the British Embassy in Bangkok.¹⁹ DFID utilizes multi-donor funding mechanisms such as the Three Diseases Fund health program and while its livelihoods and education work in response to Cyclone Nargis is another example. DFID's two key UN delivery partners are UNICEF and UNDP. (See section on multi-lateral donors above)

DFID generally emphasizes a development approach that encourages strong capacity-building and in doing so, hired an economist and a shared evaluation adviser for its Burma projects.²⁰ Both its new and current resources will permit an integration of cost/benefit and value for money analysis into program management at all stages. These resources will also permit forming a value for money framework to assess the impact of programs on longer-term changes in accountability, peace-building and transparency. Additionally, the utilization of scope areas that are subject to strict criteria on accountability, governance and transparency, as well as designing monitoring and evaluation frameworks that include targets and indicators for driving down implementing partners' unit costs, will improve overall performance in the long term.²¹ DFID prioritizes the use of

¹⁵ Ibid.

¹⁶ See "Summary of DFID's work in Burma 2011-2015. May 2011".

<http://www.dfid.gov.uk/Documents/publications1/op/burma-2011-summary.pdf>

¹⁷ Ibid.

¹⁸ Ibid. See below link for a detailed list of programs

<http://projects.dfid.gov.uk/Default.aspx?countrySelect=BU-Burma>

¹⁹ Operational Plan 2011-2015, DFID Burma P. 6.

<http://www.dfid.gov.uk/Documents/publications1/op/burma-2011.pdf>

²⁰ Ibid. P. 9.

²¹ Ibid.

local knowledge and experience to reduce the unit costs of that expertise and “strengthens contextual knowledge”.²²

CHINA (PRC)

Burma and China have historically been close in trade, cultural exchanges and regional politics since the 1960s²³. More recently, China has been Burma’s most reliable ally particularly since the 1989 military coup. Beijing has provided economic, military and political support and was a lifeline for the military government even providing it with arms when no other nation would.²⁴

Economically and financially, China provided grants, interest-free loans, concessional loans or debt relief to Burma rather than development programs based on the Western donor approach. However, many Chinese state enterprises administer modernization projects and it is difficult to know exactly the full extent of China’s economic assistance as the Burma Government does not organize its foreign investment amounts in a transparent way. What is known is Beijing has invested most in mining, oil, gas and hydropower²⁵ while providing money to modernize plants and equipment, investment in mineral exploration, hydropower, oil and gas production, and agricultural projects.²⁶ Road/infrastructure and dams, bridges and ports are other vital elements built led by Chinese companies that use low-interest loans and export credits along with thousands of laborers.^{27, 28}

One example of mining is the Tagaung Taung nickel deposit, the country’s largest project and was approved by the Burma Government in September 2008. The \$800-million project, backed by Chinese state banks, might be “the greatest collaborative effort in the history of Sino-Burmese mining.”²⁹ The most visible Chinese enterprises in Burma are the large dams including the 100 megawatt (MW) Tasang Dam on the Salween River, that the Asian Development Bank will integrate into the Greater Mekong sub-region power grid.³⁰ The October 2011 Burma suspension of the Irrawaddy river dam provoked the Chinese

²² Ibid.

²³ Kudo, Toshihiro. 2008. China and Japan’s economic relations with Myanmar: Strengthened vs. estranged.

²⁴ China’s Myanmar dilemma. Asia Report N°177 – 14 September 2009. P. 1.

²⁵ “Statistics: Myanmar foreign investment rises sharply in 2008”, Xinhua, 18 March 2009.

²⁶ David Steinberg, 2004. “Myanmar: Feel-Good U.S. Sanctions Wrongheaded”.

www.narinjara.com/Reports/BReport.ASP

²⁷ China’s Myanmar dilemma. Asia Report N°177 – 14 September 2009. P. 17.

²⁸ Crisis Group interview, Yangon, 11 March 2009. P.

²⁹ “China group says US\$800 million Myanmar mine on track”, *Mining Journal*, 22 April 2009.

³⁰ “China in Myanmar: The increasing investment of Chinese multinational corporations in Myanmar’s hydropower, oil and gas, and mining sectors”, Earthrights International, Myanmar Project, updated September 2008.

Government, an occurrence that has rarely occurred in the history of this bilateral relationship.³¹

China's economic investments in Burma pursue its broader, long-term needs for raw materials to satiate its growing middle class. Chinese firms appear less concerned with the sustainability of its imported commodities or to the environmental impact caused by the resource extractions.³² The ramifications of Chinese resource extraction in Burma are numerous including: contributing to the disappearance of timber, local displacement of citizens and human rights violations when Chinese hydropower and mining projects and oil and gas explorations begin³³, and distorting the local business market in favor of recent Chinese entrepreneurs who relocate.³⁴

China is also Burma's largest military and weapons supplier. One document reports that the Burma junta (now its separate military) has over the years endeavored to modernize by spending at least \$3 billion by purchasing new aircraft, armored personnel carriers, naval warships and more sophisticated technologies like radio systems and radar.³⁵

INDIA

Another important investing country for Burma is India, a traditional rival to China (PRC). In 1994, The New Delhi government reopened trade relations with the 1994 Indo-Burma Border Trade Agreement that allowed for a Land Customs Station (LCS) at Moreh in Manipur, that permits three forms of trade including barter of locally produced goods worth up to US \$1,000, with a simplified documentation system.³⁶ A Trade and Investment Forum will further involve businessmen from both countries and "expand the basket of goods under border trade, [and arrange the] visit of an Indian banking delegation to Burma to facilitate better trade and payment arrangements, etc."³⁷ All in all, the New Delhi

³¹ "Damned if they don't", Economist online. October 4, 2011.

<http://www.economist.com/blogs/banyan/2011/10/myanmars-surprising-government>

³² China's Myanmar dilemma. Asia Report N°177 – 14 September 2009. P. 23.

³³ See Shyamal Sarkar, "Kachin hydropower projects to spell doom", Kachin News Group, 31 January 2008; Myanmar Rivers Network, at www.myanmarriversnetwork.org; letter from activists protesting the Tasang dam to Khalid Rahman, Director of Infrastructure Division, Mekong Region, Asian

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³⁴ Crisis Group interview, Yangon, 6 February 2009.

³⁵ "China beefs up Myanmar's military power". November 4, 2009. Policy Research Group.

³⁶ "Myanmar largest Indian aid recipient after Afghanistan" by Ajai Shukla, Business Standard, October 15, 2011.

³⁷ Ibid.

government this year granted more than \$800 million worth of lines of credit for infrastructure projects such as railways, transport, power transmission lines, oil refinery, and so on. A key objective is the development of Burma's agriculture sector, including irrigation projects and there is a mutual desire to grow trade between the two countries.³⁸

THAILAND

Thailand has made significant economic investment in Burma in search of natural resources in much the same way China (PRC) has. Thai PM Yingluck Shinawatra recently visited Burma to promote the development of a deep-sea port in Dawei, in part because SET-listed Italian-Thai Development (ITD), Thailand's largest contractor, was awarded a concession to develop the port last year, with infrastructure costs running to US\$4 billion.³⁹

Thailand's gas purchases is reported to be about 1,000 million cubic feet per day (mmcf), representing a quarter of the county's total gas demand and volume is expected to double to 2,000 mmcf or 30% of Thailand's gas demand.⁴⁰

JAPAN

Japan was a significant official bilateral donor to Burma, sending at least \$25 billion each year from 1976-1985. The average aid amount shrunk to \$86.6 million from 1989-1985 and even less to \$36.7 million from 1996-2005.⁴¹ Japan tied its official development assistance policies to human rights protection and did not see the Burma Government policies and actions as supportive of human rights.

³⁸ Ibid.

³⁹ "Thai firm eyes Myanmar investments". December 22, 2011. Myanmar Business Network. <http://www.myanmar-business.org/2011/12/thai-firms-eye-burma-investments.html>

⁴⁰ Ibid.

⁴¹ Kudo, Toshihiro. 2008. China and Japan's economic relations with Myanmar: Strengthened vs. estranged. P. 274.

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