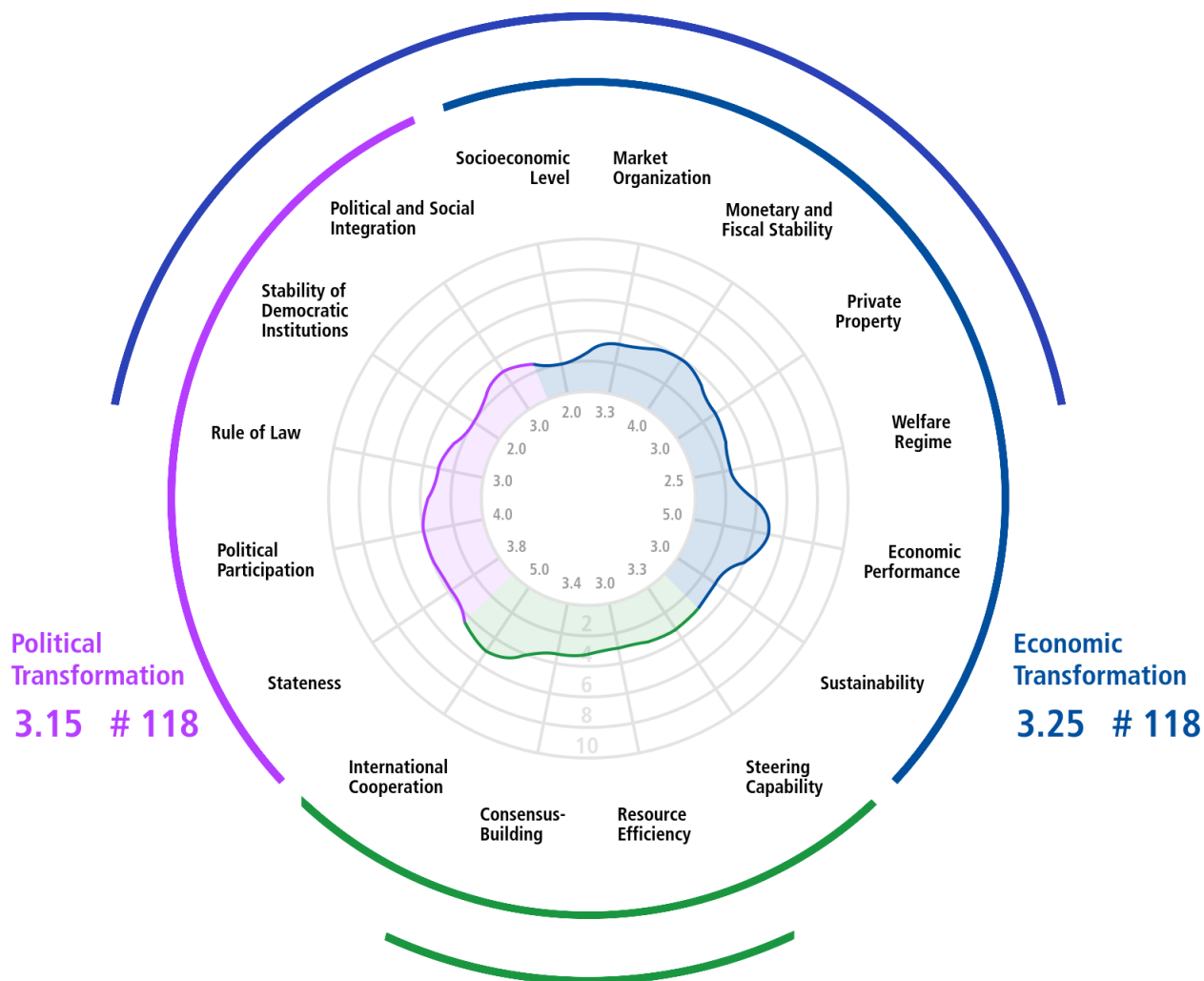


# Myanmar

## Status Index

**3.20 # 122**

on 1-10 scale out of 137



**Political Transformation**  
**3.15 # 118**

**Economic Transformation**  
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## Governance Index

**3.53 # 110**

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This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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## Contact

Bertelsmann Stiftung  
Carl-Bertelsmann-Strasse 256  
33111 Gütersloh  
Germany

### Sabine Donner

Phone +49 5241 81 81501  
[sabine.donner@bertelsmann-stiftung.de](mailto:sabine.donner@bertelsmann-stiftung.de)

### Hauke Hartmann

Phone +49 5241 81 81389  
[hauke.hartmann@bertelsmann-stiftung.de](mailto:hauke.hartmann@bertelsmann-stiftung.de)

### Claudia Härterich

Phone +49 5241 81 81263  
[claudia.haerterich@bertelsmann-stiftung.de](mailto:claudia.haerterich@bertelsmann-stiftung.de)

### Sabine Steinkamp

Phone +49 5241 81 81507  
[sabine.steinkamp@bertelsmann-stiftung.de](mailto:sabine.steinkamp@bertelsmann-stiftung.de)

**Key Indicators**

Population	M	<b>54.4</b>	HDI	<b>0.583</b>	GDP p.c., PPP \$	<b>4794</b>
Pop. growth <sup>1</sup>	% p.a.	<b>0.7</b>	HDI rank of 189	<b>147</b>	Gini Index	<b>30.7</b>
Life expectancy	years	<b>67.1</b>	UN Education Index	<b>0.464</b>	Poverty <sup>3</sup>	% <b>15.0</b>
Urban population	%	<b>31.1</b>	Gender inequality <sup>2</sup>	<b>0.478</b>	Aid per capita \$	<b>38.5</b>

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

## Executive Summary

The review period saw a deterioration of civil-military relations, as polarization between the National League for Democracy (NLD) and the military increased. Since the 2015 elections, the NLD, led by Aung San Suu Kyi, controlled the civilian part of the government, while the military retained control over three key portfolios (interior, defense, and border affairs), along with 25% of parliamentary seats, which allowed it to block attempts by the NDL to pass parliamentary amendments to the restrictive 2008 constitution.

Civil liberties and press freedom did not improve, since both the NLD and the military used old and/or vague laws to stifle protests or jail journalists. The NLD frequently adopted or defended the military's discriminatory narratives and actions against ethnic minorities in Myanmar. In December 2019, Aung San Suu Kyi personally went to The Hague to defend the military against accusations of genocide against the Rohingya at the International Court of Justice. The move further alienated Myanmar from the United States and Europe.

While Aung San Suu Kyi had originally declared the peace processes with the ethnic minorities to be her top priority, by 2019 the NLD had joined the military in requesting that all ethnic armed organizations sign the National Ceasefire Agreement (NCA) before they were allowed to participate in political negotiations. In August 2020, the government concluded its fourth Union Peace Conference – 21st Century Panglong with the NCA signatories, most of them small and insignificant ethnic armies. While the conference formally confirmed the aim to establish a federal union, it fell short of defining clear steps for implementation. Virtually all the politically and militarily relevant ethnic armed organizations remained outside the peace process.

From 2019 onward, the military urged all ethnic armed organizations to enter into bilateral ceasefire agreements with the government, so it could concentrate on its offensive against the Arakan Army (AA) in Rakhine State. In May 2020, the military formally offered unilateral truces to the ethnic armed organizations to stem the spread of COVID-19, an offer which excluded Arakan and

southern Chin state. In practice, however, fighting continued and even intensified in many ethnic areas.

On a positive note, the NLD's fight against corruption gained some traction. In addition, reforms to the economy (including a new competition commission and further liberalization in the insurance market) strengthened investor confidence.

The COVID-19 pandemic hit Myanmar at the end of March 2020. Until the middle of 2020, infection rates remained relatively low. However, a second wave hit the country from August 2020 onward. With stay-at home orders and increased testing, contact tracing and isolation measures, infections declined to around 1,200 officially registered infections per day at the end of November, although the actual number was bound to be much higher. As the government fell short of addressing many health and socioeconomic needs, civil society organizations were able to fill some of the gaps.

In the run-up to the November 2020 elections, the military systematically sought to delegitimize the electoral process, claiming widespread irregularities without providing any proof. The NLD again won the elections in a landslide. The military-backed Union Solidarity and Development Party (USDP), which won even fewer seats than in 2015, did not accept the election outcome and lobbied the military to step in. On February 1, 2021, the military seized power in a coup, citing large-scale electoral fraud, a claim that is contradicted by independent election observers who judged the election as free and fair.

## History and Characteristics of Transformation

Burma became a sovereign nation in 1948. In 1962, the military under General Ne Win staged a coup under the pretext that its rule was needed to keep the country together in light of manifold ethnic insurgencies. The result was an intensification of the conflicts between the ethnic armies and the military.

Ne Win embarked on what he termed the "Burmese Way to Socialism," isolating Myanmar internationally and nationalizing all private enterprises. By the 1980s, the country had become one of the world's least developed. In 1988, growing economic turmoil and political grievances led to a nationwide nonviolent uprising. The military stepped in, imposing martial law and annulling the 1974 constitution. Approximately 3,000 people were killed in a crackdown on September 18, 1988, and a new junta took over. The junta held free elections in 1990, which resulted in a landslide victory for the National League for Democracy (NLD) under the leadership of Aung San Suu Kyi. Despite the clear results, the military refused to hand over power.

The junta ruled the country with a heavy hand for over 20 years. The military began to liberalize the political system only after installing a system that guaranteed a strong economic and political role for the military over the long term. In 2008, a military appointed and controlled National Convention completed a new constitution that enshrines the military's role in politics. This

constitution reserves 25% of parliamentary seats for members of the military, thereby giving the military veto power with regard to constitutional changes. It also stipulates that the ministries of interior, defense and border affairs are to be led by active military officers. Tightly controlled elections were held in November 2010, which the Union Solidarity and Development Party (USDP), the military's proxy, easily won. Many generals who had held leading positions under the junta officially retired from the military and joined the new party. The NLD boycotted the elections due to the unfairness of the election laws. After parliament convened in February 2011, Prime Minister Thein Sein, a leading member of the former military junta, became president.

The new government initiated political, socioeconomic and administrative reforms, and released more than 1,000 political prisoners, including Aung San Suu Kyi, who had spent 16 years under house arrest. In addition, prepublication censorship was ended and new laws were passed that extended associational freedom, enabling the formation of trade unions, among others. This led to relatively free elections in November 2015, in which the NLD won an absolute majority in both houses of parliaments. Since Aung San Suu Kyi was constitutionally barred from running for president, parliament created the position of state counselor in 2016. This liberalization has allowed the country to recalibrate its foreign relations, with the United States and EU withdrawing most of their sanctions.

The Thein Sein government also initiated a peace process with armed ethnic minorities, which was continued by the Aung San Suu Kyi government. In the beginning, the process appeared to hold considerable potential for national reconciliation, as both the Thein Sein and Aung San Suu Kyi governments promised to establish an inclusive negotiating framework that would bring all ethnic parties to one table. However, the process soon stagnated owing to the military's refusal to accept far-ranging federal reforms.

When the NLD entered government in early 2016, expectations for democratic change were high. However, the NLD was unable to fulfill many of its promises of reform, owing to the continuing political influence of the military. The ethnic cleansing of the Rohingya in 2016 and 2017 illustrated that the NLD was neither able nor willing to firmly oppose the military's abuses against ethnic minorities in particular. Concurrently, the NLD's own structure remained hierarchical and leader-centered, while the party often continued the practice of restricting critics.

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

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The state's monopoly on the use of force is established in central Myanmar and in some ethnic-community areas only. Large parts in the west (Rakhine and Chin States) and the northeast (Kachin, Shan) are contested terrain. Approximately 15 major and several dozen smaller ethnic armed organizations fight for autonomy or secession from the union.

In 2015 the government agreed a National Ceasefire Agreement (NCA) with eight ethnic armed organizations, most of them small and militarily insignificant organizations. Since then, some groups have withdrawn from the NCA, while others have (re)joined it. The largest ethnic armed organizations, who control significant terrain, resources and military power, have never been involved in both the NCA and the peace process. This includes the United Wa State Army (UWSA), which has 20,000 fighters and 10,000 militias under their command, and the Kachin Independence Organization (KIO), which claims to have approximately 15,000 fighters in Kachin and Shan States.

While Aung San Suu Kyi had promised to revive the peace process and extend it to non-signatories of the NCA following her election victory in 2015, this endeavor largely failed, owing to the uncompromising stance of the military toward key non-signatories, such as the Myanmar National Democratic Alliance Army (MNDAA) Kokang.

In the last two years, the Tatmadaw (Myanmar military) has urged all ethnic armies to enter into bilateral cease-fire agreements with the government/military, in order for it to concentrate on its offensive against the Arakan Army (AA) in Rakhine State. De facto, however, large-scale fighting between the Tatmadaw and ethnic armed organizations has occurred throughout the review period. In particular, this includes, armed encounters between the Tatmadaw and the AA in Arakan and Chin state, which resulted in the deaths of several hundred people and caused at least 78,000 to

Question  
Score

Monopoly on the  
use of force

4

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1

flee the area in 2019 alone. Significant armed conflicts also occurred in northern Shan State. In August 2019, the newly founded Brotherhood Alliance launched attacks on the Northern Shan State's Central Highway, leading to large-scale reprisals by the military.

In May 2020 the army formally offered unilateral truces to the ethnic armed organizations in order to stem the spread of COVID-19, which, however, excluded both southern Chin State and Arakan State. In November 2020, the AA offered a similar unilateral truce to the government. In practice, however, fighting continued and has indeed intensified in many ethnic areas.

State identity has been contested ever since independence in 1948. The official national identity revolves around the Buddhist religion and language of the majority Burmese (Bamar), who comprise around 60% of the population and live in the Central Plains and the Irrawaddy Delta. The ethnic minority groups live in the outer states, along the borders with Bangladesh, India, China and Thailand. The ethnic minorities contest the conception of the Burmese state and demand an acknowledgment of their history, languages and religions. None of the seven ethnic minority states (Arakan, Chin, Kachin, Shan, Karen, Kayin, Mon) is mono-ethnic. The official list of 135 "national races" is highly contested and was drawn up by colonial administrators more than 100 years ago. Under military rule, this list was reinstated and used for classification and the basis of citizenship.

Citizenship is based on the 1982 citizenship law, which recognizes three forms of citizens: full citizens, associate citizens and naturalized citizens. Full citizenship is given to those who can trace back their lineage to before the British conquered the country in 1823 and who are members of the eight formally recognized "national races" (i.e., Bamar, Arakan, Chin, Kachin, Shan, Karen, Kayin/Karen, Mon). Associate citizens are those who gained citizenship before independence. Naturalization is only possible if at least one parent is a citizen. According to figures collated by the International Commission of Jurists, as many as 25% of the population lack proper legal documents and citizenship. Chinese, Indians and particularly the Rohingya, an ethnolinguistic minority group that adheres to the Muslim faith, are all denied citizenship. The Myanmar government regards the latter as relatively recent migrants from Bangladesh, though most Rohingya can trace their ancestry back to the late colonial empire, or even to the period before British colonization. The majority of their documents were destroyed in waves of violence and expulsion. The most recent wave of violence saw the expulsion of approximately 1 million Rohingya into Bangladesh.

State identity

3

'06 \_\_\_\_\_ '22 10

3

\_\_\_\_\_ 1

Buddhism is the state religion in Myanmar. Since the political opening from 2011 onward, Buddhist nationalist groups, such as the 969 movement and Patriotic Association of Myanmar (MaBaTha), have become regular voices in the political discourse of the country. These ultranationalist groups have poisoned the political climate, by inciting anti-Muslim violence in 2012, and advancing a xenophobic and anti-pluralist agenda. They have also regularly mobilized pro-military rallies and mobilized against the policies of the NLD government. Since 2018 the NLD has moved more firmly against these nationalist and ultra-Buddhist groups: the government pushed the officially recognized, more moderate Buddhist authority MaHana to disband MaBaTha. MaBaTha, however, formed a successor organization under a new name.

The Myanmar Race and Religion Protection Laws (2015), whose passage was largely due to the advocacy of MaBaTha, codify severe forms of discrimination against the Muslim minority, restricting their rights to free marriage and their choice to have children.

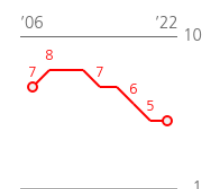
Ultranationalist Buddhist groups advocated for and welcomed the military's 2016 and 2017 ethnic cleansing operations against the Muslim minority of the Rohingya, which forced the majority of this Muslim minority to flee the country. Representatives of the UN and individual countries have referred to the atrocities committed against the Rohingya as acts of ethnic cleansing and/or genocide, accusations that are backed by a UN report published in August 2018.

The country's archaic administration is only fully existent in the Myanmar heartland. It is weaker outside this area and quasi-nonexistent in the ethnic states. Large areas of these states are de facto self-governed by armed ethnic groups. Official tax authorities cannot reach many villages in central Myanmar and the administration lacks basic infrastructure, technical equipment and communication systems. Only 80% of villages have access to proper water and sanitation and other basic services. In many ethnic states, the situation is even worse. Since 2011, with financial and technical assistance from the international community, the Burmese government started to reform its bureaucracy and strengthen the weak infrastructure, a process that has been interrupted by the February 2021 military coup. Between 2011 and February 2021, local governments and regional parliaments began to become more engaged in local service delivery.

Due to the COVID-19 pandemic, public schools and government offices were closed for a couple of months in 2020. In March 2020, government officials were ordered to work from home on a rotational basis, with only half of them in the office. Universities were also affected, although they reopened in July 2020. The pandemic has disrupted the provision of other health services, such as immunization programs and maternal health services.

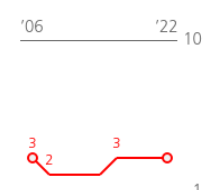
No interference of religious dogmas

5



Basic administration

3





## 2 | Political Participation

Myanmar held a general election in November 2015, which was deemed relatively free and fair and which the NLD won by a landslide. By-elections were conducted in a relatively transparent and fair manner in 2017 and 2018, respectively. On November 8, 2020, another general election was held as scheduled, despite the outbreak of the COVID-19 pandemic. The Union Election Commission (UEC) decided to push forward with its plans due to a tight electoral calendar. The UEC enacted special voting procedures, which included an increase in advance voting for elderly persons, operating polling stations in quarantine centers, and placing polling booths an adequate distance from one another. Election officials were trained in observing the new rules.

Campaigning was hampered by the COVID-19 pandemic, since political parties and candidates were required to follow guidelines issued by the Ministry of Health and Sports, including the wearing of face masks, maintaining a six-foot social distance, the use of hand sanitizers, and the limiting of events to 50 participants. Campaign activities in areas under stay-at-home orders were also prohibited.

Due to security concerns, voting was canceled in 56 townships (1,596 villages). The situation was particularly dire in Rakhine State, where 75% of all registered voters were disenfranchised due to fighting between the Buddhist Arakan Army and the Tatmadaw. This came in addition to the Rohingya, who are denied any political rights (including voting rights) due to Myanmar's harsh citizen laws.

On polling day itself, turnout was strong. More than 27 million of the 38 million eligible voters cast their ballots. The NLD won 396 of the 476 contested seats in both houses of parliament. The pro-military USDP won only 33 seats (2015: 41). The remaining seats went to various ethnic groups.

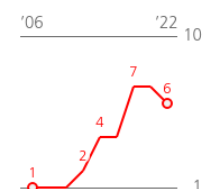
Both local and international election observers congratulated the Election Commission and found that voters had been able to freely express their will at the polls and choose their elected representatives.

The USDP had signaled long before the election that it would not accept the election outcome. Already in August 2020, an alliance of 21 parties close to the military approached Armed Forces Commander-in-Chief Min Aung Hlaing to intervene if the Election Commission played foul. On November 11, 2020, the USDP held a press conference, saying that they would not accept the results and demanded action from the Tatmadaw.

In December 2020, the military took up the issue and claimed it had counted 10.5 million irregularities on voter lists, a claim for which it presented no evidence. It

Free and fair elections

6



charged the Union Election Commission with what it viewed as either incompetence or outright vote rigging in favor of the NLD. It demanded the government dissolve the election commission and look into the irregularities, a demand that the government rejected.

The military's strategic delegitimation of the election process, which began several weeks before the day of the election, prepared the ground for the coup on February 1, 2021.

From 2015 to 2020, the democratically elected NLD government had limited power to govern. Although the coup of February 1, 2021 occurred one day after the end of the review period of this report, the event provides ex post evidence of the political weakness of the civilian authorities and institutions in late 2020 and early 2021.

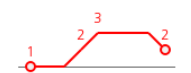
According to the 2008 constitution, the military is/was granted a participatory role in the leadership of the state, limiting the power of elected officials in various ways. First, the military held 25% of all seats in the country's national and regional parliaments – these were appointed by the commander-in-chief. Since the constitution could only be amended with a quorum of more than 75% of the legislature, this made the military a prime veto power over any constitutional changes sought by elected politicians. Second, all security-related ministries, which are the Ministry of Border Affairs, the Ministry of Defense, and the Ministry of the Interior, were headed by active representatives of the military. The Ministry of the Interior was particularly important, since it controlled the General Administration Department (GAD), which oversaw the state bureaucracy down to the village level and managed the appointment of civil servants. In January 2019, however, the NLD transferred the GAD from the military-controlled Ministry of the Interior to the president's office, which constituted a major step toward a democratization of the state apparatus. Third, the military was able to use the National Defense and Security Council (NDSC), in which it held a majority, to influence both the border police and the peace process. This council was also empowered to formulate certain military and security policies. Moreover, it had the right to petition the president to declare a nationwide state of emergency. Since Aung San Suu Kyi came to power, however, she chose not to convene the NDSC and, instead, appointed her own security advisers.

The 2008 constitution allows freedom of association and assembly, but only as long as the exercise of these freedoms does not contravene existing security laws. From 2011 to 2020, Burmese authorities still made use of the colonial-era Unlawful Associations Act of 1908 to intimidate and arrest political activists. Those civil society organizations who had contacts with the ethnic armed organizations in particular, faced the threat of being arrested. The national legal basis for public assembly in Myanmar was primarily provided by the 2011 Peaceful Assembly and Peaceful Procession Law, which was revised in 2016. The law threatens with up to six months of prison for the organization of unauthorized demonstrations. Since the 2016 amendment, notification replaced the required authorization principle. In

Effective power to govern

2

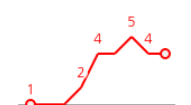
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Association / assembly rights

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practice, however, local authorities often understood the notification system as a request for permission, which could be denied, in violation of the national legislation. The Association Registration Law, which was enacted in 2014, was first commended for offering a voluntary registration approach. However, national NGOs were concerned over provisions that granted excessive discretion to the authorities to deny registration to NGOs on vague grounds. In addition, the government of Aung San Suu Kyi had begun to draft a law that, if passed, would have provided the government with enhanced powers to control (and potentially restrict) foreign funding to local civil society organizations (CSOs) and would have obliged all local CSOs to meticulously report all their contacts with foreign funding agencies.

To stem the spread of COVID-19, the government of Aung San Suu imposed various restrictions, including a ban on gatherings involving more than five people, as well as movement control orders that provided for hefty jail sentences. Altogether, the authorities acted well beyond the public health threat posed by the pandemic, and effectively restricted the right to peaceful assembly. For example, several people were arrested in Sagaing division in April and sentenced to six months in jail after organizing a charity event. Several union leaders were jailed for organizing a strike at a Yangon factory. By June 2020, at least 500 people had been sentenced to between one month and one year in jail for violating COVID-19-related restrictions, such as violating curfews or not practicing social distancing. The government of Aung San Suu Kyi used different laws, including the Penal Code, the Natural Disaster Management Law, and the Telecommunications Act to press legal charges against journalists and activists who criticized the government's response to the pandemic.

According to section 354 of the 2008 constitution, freedom of speech may be restricted if it is contrary to the laws “enacted for Union security, prevalence of law and order, community peace and tranquility or public order and morality.” Furthermore, the 2008 constitution neither provides safeguards for media freedom, nor guarantees the right of access to public information.

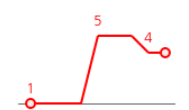
Since the political opening, official press censorship has ended. The 2014 News Media Law introduced limited guarantees for press freedom and protection of journalists but has been criticized for failing to meet international standards. The regulatory body for print media, for instance, the Myanmar Press Council, lacks independence and is perceived as weak.

Despite gains in media freedom, the media continues to be closely monitored and laws dating back to the era of military rule are used to stifle it. For example, the Telecommunications Law and Official Secrets Act of 1932 (OSA) both carry prison sentences for those who disseminate information that can be considered a threat to national security, domestic tranquility and racial harmony. Since many legal restrictions are vague, they can be applied in a wide array of circumstances, including against reports of corruption and ethnic politics or reports that portray the military in a negative light. Both journalists and activists still practice a certain degree of self-censorship, since they fear libel and security charges.

Freedom of expression

4

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In addition, the authorities continued to use restrictive laws, such as article 66(d) of the 2013 Telecommunications Law, articles 33 and 34(d) of the 2004 Electronic Transactions Law, and the Penal Code sections 124A (sedition), 295A (insulting religion), 499-500 (defamation) and 505 (incitement), to criminalize critics, human rights defenders, activists, and journalists. According to a report by Athan, a local NGO working on freedom of expression, in the first half of 2019, more than 250 people who exercised their right to freedom of expression were charged under different legislation. Those targeted included students, journalists, land-rights defenders, and ordinary citizens.

In March 2020, the Ministry of Transport and Communications used Section 77 of the Telecommunications Law to issue directives that criminalized the publication of what the ministry termed “fake news” about the COVID-19 pandemic. Based on these directives, telecommunication companies were ordered to block approximately 70 websites, measures that were strongly criticized by national and international civil society organizations.

### 3 | Rule of Law

The 2008 constitution grants the executive particularly broad powers, including the exclusive right to nominate most senior union officials (e.g., Supreme Court justices, the attorney general and one-third of the membership of the Constitutional Tribunal). Due to the dominance of the NLD in both houses, most of these positions were filled with members close to the NLD between 2015 and 2020. Due to the introduction of the position of the State Counselor, executive-legislative relations have also undergone a slight change: the president acted much more like a head of state, while the business of governing was conducted by the state counselor.

In the fight against the pandemic, the government has neither introduced a nationwide lockdown nor a national emergency. Instead, several regions introduced curfews and community quarantines. The reason for this approach might lie in constitutional provisions, which require a state of emergency to be declared for one year and entails legislative, judicial and executive power being transferred to the commander-in-chief.

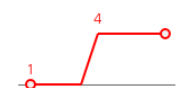
The national parliament barely played an active role in the fight against the pandemic. On March 26, 2020, the parliament began a new term, which was reduced from six to two weeks, focusing on discussions of budgets and health-related issues. This reduced term led to a further decline in parliamentary work. However, it is worth pointing out that parliament did not always exercise effective control over the government even prior to the outbreak of the pandemic.

The structure of the state, which is enshrined in the 2008 constitution, is highly centralized. At the local level, the “chief ministers” of the country’s (ethnic) states and (majority Bamar) divisions are not selected by the local parliaments but appointed by the national executive.

Separation of powers

4

'06 \_\_\_\_\_ '22 10



In Myanmar, 50 years of military rule have systematically weakened the judiciary, compromised the independence of the legal system, and imbued it with a variant that emphasized public order and tranquillity. From 2015 to 2020, the judicial system improved only minimally. The most glaring example of the ailing justice system and of interventions in the judiciary is the case of the two Reuters reporters, whose report exposed an army massacre in June 2017 in Rakhine state; both were found guilty of breaching the Official Secrets Act and were jailed for seven years, although persuasive evidence suggested that they were entrapped by the police.

During the NLD's term in office, the fight against corruption gained traction. First, the Anti-Corruption Commission was granted broader powers to investigate and open branches in the provinces. New commissioners were brought in to give the commission more teeth. Since 2018, the Anti-Corruption Commission has investigated both senior bureaucrats and high-level politicians – even within the ruling party. In July 2019, Industry Minister Khin Maung Cho resigned amid allegations he violated undisclosed office procedures. In March 2019, the Chief Minister of Tanintharyi was sacked due to corruption. High-ranking director generals in the bureaucracy have been arrested and jailed as well, such as the former general of the Food and Drug administration and the deputy director general of Nayyitaw's Veterinary and Abattoirs Department. Military officers, however, still appear to be beyond the reach of anti-corruption investigations.

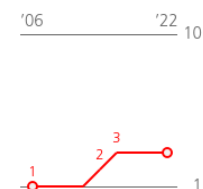
Civil rights are codified, but even the most fundamental rights are violated in practice. For instance, the police, which is still under the military-controlled Ministry of Home Affairs, denies the basic rights of those it arrests and treats them as enemies of the state. The UN Fact-Finding Mission, in its 190-page report published in September 2019, established a pattern of torture and ill-treatment committed by the Myanmar military against civilians. The UN FFM also concluded on reasonable grounds that “people detained in the custody of the Tatmadaw... [were subjected to] a pattern of torture or other cruel, inhuman or degrading treatment or punishment under international human rights law” and that “in at least one case during the reporting period, the Tatmadaw used rape as a tactic of war that constituted torture.”

In the areas of ethnic conflict in the states of Rakhine, Shan and Kachin, human rights violations committed by ethnic armed groups and the Tatmadaw include abductions, illegal detention, forced and child recruitment into armed groups, and extortion.

Human rights breaches committed by the military in the areas of ethnic minorities have never been prosecuted. The 1982 Citizenship Law denies the Muslim minority of the Rohingya the right to citizenship, and the 2014 “Race and Religion Protection Laws” severely curtail the personal freedoms of Muslims, as well as the right of women to choose their own faith and marriage partners. In both 2016 and 2017, the Myanmar military conducted large-scale clearance operations against the Rohingya, which forced around 800,000 members of this ethnic minority to flee to Bangladesh.

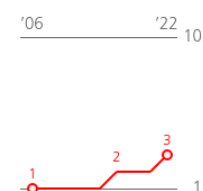
#### Independent judiciary

3



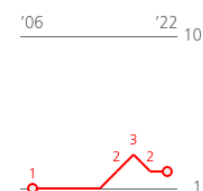
#### Prosecution of office abuse

3



#### Civil rights

2



During the COVID-19 pandemic, the justice organs reacted in a harsh manner to violations of social distancing rules or curfews related to the pandemic. At least 500 persons have been imprisoned for reasons related to the pandemic since March 2020. Most of them were convicted of violating Article 188 of the Criminal Code, “disobedience to an order duly promulgated by a public servant,” the National Disaster Management Law, or the Prevention and Control of Communicable Diseases Law, under which people who intentionally spread diseases face up to three years in prison.

#### 4 | Stability of Democratic Institutions

From 2015 to 2020, the elected NLD government of Aung San Suu Kyi had to share power with the military. The military straitjacketed the government; civil-military coordination and cooperation were scarce and a significant degree of mistrust was evident. In March 2020, the military members of parliament blocked a constitutional amendment, which would have gradually reduced the number of military representatives in parliament. They also vetoed an amendment that would have enabled the military and police to be adjudicated by civilian courts.

Within the civilian government, power was concentrated in the hands of State Counselor Aung San Suu Kyi. While the national-level bicameral legislature could act as an agent of change, NLD lawmakers were relatively inexperienced. Scrutiny was minimal and brought to bear by only a handful of members of parliament. Similarly, the regional parliaments acted predominantly as rubber-stamps for the regional government, signing off on budget requests and bills, and ignoring widespread complaints about unpopular projects. The chief ministers (in the regions) were appointed by the president and accountable primarily to him rather than the regional legislatures.

The military’s coup on the eve of the convening of the newly elected parliament on February 1, 2021, suspended Myanmar’s fledgling democratic institutions.

The military takeover on February 1, 2021 highlights its lack of acceptance of the basic rules and institutions of the democratic system. The military sees itself as the guardian of a “disciplined, flourishing democracy,” but it was unwilling to accept the 2020 election results.

Though the NLD has campaigned for substantial democratization, it failed to radically challenge the dominance of the military. It also used existing laws to stifle press freedom and critical voices in civil society. The internal decision-making processes within the NLD were/are highly hierarchical, and party leader Aung San Suu Kyi exercised a high level of control over the NLD members of parliament and other party members.

Performance of democratic institutions

2

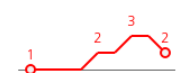
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Commitment to democratic institutions

2

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Within the Sangha (community of Buddhist monks and nuns), there are a number of ultranationalist and ultra-Buddhist groups, which have incited violence against Muslims and attempted to undermine the legitimacy of the democratic government. By calling Aung San Suu Kyi a traitor and lackey of western interests, they have also helped to put the military back in full control.

## 5 | Political and Social Integration

The party system is made up of the National League for Democracy (NLD) and the military-aligned USDP, plus a number of ethnically based political parties. Both in 2015 and in 2020, the NLD secured landslide victories, winning a majority in both houses of parliament. In 2020, the USDP performed even worse than in 2015, securing only 33 seats in both houses of parliament.

Both the NLD and the USDP have branches throughout the country, in all states and divisions and in nearly every township. The NLD is led by Aung San Suu Kyi with a firm hand and a personalist style. She chairs the most important body of the party, the 16-member strong central executive committee, most members of which, she reportedly selected herself.

The USDP, which consists predominantly of former military generals, is led by U Than Thay. Reportedly, the party did not appoint a presidential candidate for the 2020 elections, since Commander-in-Chief Min Aung Hlaing was eyeing the presidency himself.

Ethnic parties have relatively weak party institutionalization and limited capacity to make representative claims. The most successful ethnic parties both in 2015 and in 2020 were the Shan Nationalities League for Democracy (SNLD), which was historically affiliated with the NLD, and won 25 seats in the regional parliaments, and the Arakan National Party (ANP), though the party in 2020 lost a few seats due to vote cancellations in Rakhine State.

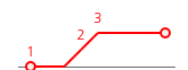
Under military rule from 1962 to 2010, the state and the military were instrumental in creating a number of big business groups, such as the Union of Myanmar Federation of Chambers of Commerce and Industry. This group, and other similar business associations, which remained active as the country liberalized between 2011 and 2020, do not represent all companies in their respective sectors and are dominated by big players (most of them acting or former military cronies). During its tenure from 2015 to 2020, the NLD nevertheless reached out to some of these players.

Traditional civil society organizations are often religiously based and provide support for funerals and family/community emergencies. Professional organizations became more active between 2011 and 2020. Despite this growing pluralism, several sectors remained under-represented. Though farmers, rural interest groups and community organizations have become more active, they frequently struggle to make their voices heard.

### Party system

3

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### Interest groups

3

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Although there are no official statistics on the number of NGOs in the country, some estimates put their number at more than 10,000 toward the end of the NLD's tenure. However, these NGOs are often professional, donor-funded organizations that are run by members of the small, urban middle class. Consequently, the extent to which they truly represent the rural poor and other marginalized groups remains questionable. Moreover, the NGO sector and broader civil society remain fractured along ethnic and religious lines. There are numerous challenges for civil society in ethnic minority areas.

Under the NLD government, civil society organizations complained of bureaucratic restrictions set up by the government. Apart from bureaucratic reporting procedures, they also faced pressure to officially register. Civil society organizations were sidelined in the peace process. At the local level, activists and NGOs still face repression from the authorities, since they often have contacts with the ethnic armed groups, which makes them suspicious in the eyes of the military.

In the context of the COVID-19 pandemic, NGOs and more traditional CSOs such as religious groups, have played a key role in delivering health and other welfare services to marginalized communities, thereby filling gaps left by the state. The government of Aung San Suu Kyi adopted several measures to coordinate (and potentially control) these initiatives. CSO representatives have complained that the NLD government fell short of providing adequate support to CSOs active in emergency relief. In May 2020, over 200 CSOs from diverse professional and ethnic backgrounds united to issue a joint statement urging the government to respect human rights, democracy, and social justice and be inclusive in its response to the COVID-19 pandemic.

According to the two rounds of the Asia Barometer Survey (2015 and 2019) Myanmar's citizens broadly support a democratic system, although the indicators point to weak support for the underlying specific democratic values and practices. 84% support democracy in general, and two-thirds (66%) prefer democracy over other alternatives – with only 9% favoring authoritarian alternatives. The majority of the population (64%) in 2019 continued to have faith in democracy solving political problems, although this fell from the 74% recorded in 2015. The prevalence of widespread popular support for democracy is also reflected in the large-scale civil disobedience movement and public demonstrations, which followed the coup in February 2021.

At the same time, most respondents (74%) felt that citizens were not prepared for a democracy, that democracy creates problems (70%), or that it is ineffective at creating growth (65%) or maintaining order (62%).

Approval of  
democracy

n/a

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n/a 1



Respondents appeared to lack a proper understanding of the workings of the democratic system. Only a third were in favor of either the legislature or the judiciary having oversight of an executive.

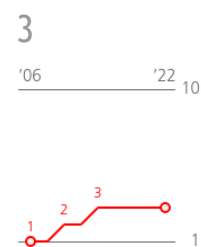
In general, public trust levels in democratic institutions increased between 2015 and 2019. The police recorded the highest increase (from 28% to 61%); similar results were found for local administration (from 48% to 78%) and state governments (from 47% to 76%). It must be noted, however, that the Asia Barometer Survey was conducted more than one year before the February 2021 coup. Police forces have participated in the brutal repression of anti-coup protests, including the targeted killing of peaceful protesters.

According to Asia Barometer Survey Wave 5 data, in 2019, only 35% of the population expressed a great deal or quite a lot of trust in most people, compared to 55% in 2015. For the same year, 57% reported not having “much trust at all” in most people (2015: 39%). A 2014 Asia Foundation survey found that social trust is low and political disagreements are deeply polarizing. According to this data, 77% of all respondents believe that people cannot be trusted (71% in states, 80% in the regions).

According to the Asia Barometer Survey, the number of Myanmar citizens joining organizations has fallen sharply, down from 61% in 2015 to 39% in 2019. Increasingly more citizens are choosing not to become members of organizations, a trend that does not bode well for building social trust and strengthening democracy.

In addition, social capital is often fractured along ethnic or religious lines.

Social capital



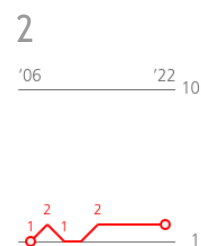
## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Myanmar achieved lower middle-income status in 2015. With a score of 0.583, Myanmar ranked 147 out of 189 on the HDI in 2019. According to the World Bank’s recent World Development Indicators (data from 2017), 15% of the population lives in extreme poverty, that is, on less than \$1.90 per day. The Myanmar government, however, claimed that over the past 15 years, it had been able to make significant progress on socioeconomic indicators. According to data from the Myanmar Living Conditions Survey 2017, the share of the population living below the national poverty line was halved, falling from 48.2% in 2005 to 24.8% in 2017. The poverty line in 2017 was MMK 1,590 (approx. \$1) per adult equivalent per day. There are huge regional variations in poverty: rural areas (30%) are much more affected than urban areas (11%) – with the highest rates found in the states of Chin (60%) and Rakhine (40%). With poverty being entrenched in ethnic minority areas, we can say that most

Question  
Score

Socioeconomic  
barriers



ethnic groups are structurally excluded. This also has a political dimension, as most state institutions are dominated by ethnic Bamar. Myanmar is still predominantly an agrarian country with the industrial sector accounting for 22% of gross value added and 38% of employment. The industrial sector accounts for 22% of gross value added.

Measured through aggregates like the Gini coefficient (measured using per capita income), inequality in the country stands at 30.7 (data from 2017). Significant inequalities between states and regions also result in significant income inequalities.

Gender equality has made some progress in recent years, with the number of girls enrolling in primary and secondary school increasing, the participation of women in the labor force improving, and maternal health outcomes and enhanced social protections for women having improved. At the same time, the political participation of women remains low (only 10.2% of parliamentary seats are held by women); Myanmar ranks 147 out of 189 countries in the 2019 Gender Inequality Index.

The COVID-19 pandemic could have a deep and lasting impact on poverty reduction. According to World Bank estimates, the economic disruption could increase poverty by almost 10 percentage points.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	67144.7	68697.8	79844.3	<b>76185.6</b>
GDP growth	%	6.4	6.8	1.7	<b>-10.0</b>
Inflation (CPI)	%	4.6	6.9	8.8	-
Unemployment	%	1.6	0.9	0.5	<b>1.8</b>
Foreign direct investment	% of GDP	7.2	2.6	2.2	-
Export growth	%	12.0	11.3	5.4	<b>-7.0</b>
Import growth	%	-2.2	-7.7	-4.5	<b>3.0</b>
Current account balance	\$ M	-4916.8	-2561.2	67.7	-
Public debt	% of GDP	38.5	40.4	38.8	<b>39.3</b>
External debt	\$ M	10759.1	10684.5	11119.6	<b>13348.1</b>
Total debt service	\$ M	655.4	839.1	703.2	<b>587.5</b>

Economic indicators		2017	2018	2019	2020
Net lending/borrowing	% of GDP	-5.6	-0.7	-3.6	-
Tax revenue	% of GDP	5.9	2.6	5.9	-
Government consumption	% of GDP	18.4	18.3	-	-
Public education spending	% of GDP	2.1	1.9	2.0	-
Public health spending	% of GDP	0.8	0.7	-	-
R&D expenditure	% of GDP	0.0	-	-	-
Military expenditure	% of GDP	3.6	2.3	2.1	<b>2.9</b>

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

The current structure of the economy is best described as an oligarchy. Close relationships between the military and crony businesses dominate the private sector. The main challenges are a weak rule of law, poor access to finance, a shortage of land and skilled labor and the lack of a level playing field in the marketplace. The size of Myanmar's informal economy as a share of the total economy is one of the largest in the world. Even excluding illicit activities, such as illegal gems, drugs and the timber trade, the informal economy is still significantly larger than the formal economy. Approximately 83% of all businesses in Myanmar operated informally in 2013, according to data from the OECD.

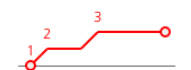
Economic reforms enacted since the end of military rule have liberalized Myanmar's economy. Certain sectors have been opened up to foreign participation, regulated under the 2012 Foreign Investment Law (Revised in 2016) and the 2014 Special Economic Zones Law. In 2017, Myanmar passed its first competition law and a new law governing companies. In January 2019, the insurance sector was further liberalized and foreign banks were allowed to lend to local market participants. While benefiting from recent policy improvements, the country's business environment is still burdened by red tape and lengthy processes that can be linked to controlling transactions rather than facilitating firms' growth. While business registration and obtaining investment approval have improved, receiving post-investment approval and obtaining local and municipal licenses remain major bottlenecks for firms.

The World Bank's Doing Business 2020 report (published in October 2019) shows that, in spite of some recent progress, Myanmar's overall performance on the ease of doing business lags the average for economies in East Asia and the Pacific. In 2020, its overall rank was 165 out of 190 economies and 24 out of 25 economies in the East

Market  
organization

3

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Asia and Pacific region. Myanmar made starting a business easier by developing an online platform for company registration and reducing incorporation fees. On average it takes seven days to start a business, six procedures to start a firm, and the costs involved represent 13.3% of GNI per capita.

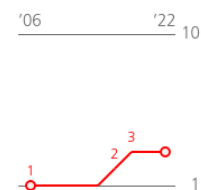
Following the implementation of the new Competition Law in 2017, Myanmar established the Competition Commission in 2019. The law prohibits anti-competitive agreements and introduces a merger control regime. However, no thresholds were introduced for merger control, indicating that little political importance is attached to this issue. The commission began its operations in 2019; it is still in its infant stage. It is chaired by the Ministry of Commerce and is overwhelmingly staffed with high-ranking state officials. Only one economist and several legal experts have joined the commission, which has still not become truly active. Experts fear that persistent structures of cronyism hinder the commission’s effectiveness and objectivity.

Myanmar entered the World Trade Organization in 1995. At that time, the country was isolated from the West due to self-isolation and sanctions. The government adopted a liberalization of foreign trade only after the beginning of the liberalization process in 2011. It opened up particularly in the fields of telecommunication technology, tourism and manufacturing. Liberalization was restricted in the areas of agriculture and petrochemicals. The simple average of Myanmar’s most favored nation tariff was 6.5% in 2019. Myanmar also applied several non-tariff measures to protect its domestic market. Nearly 100% of agricultural products (animals and vegetables) and minerals were protected by these measures.

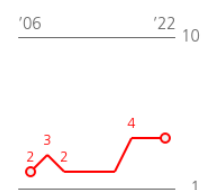
The non-tariff measure coverage ratio for imports to Myanmar is 60.24 and the non-tariff measure frequency ratio is 38.44. For exports, the coverage ratio is 69.97% and the frequency ratio is 29.75%

A significant step toward opening up Myanmar’s economy was introduced in 2018, when the Ministry of Commerce allowed 100% foreign owned ventures - as well as foreign and domestic jointly owned ones - to conduct trade throughout Myanmar. These steps mark progress, though a foreign company must still meet certain criteria to engage in trade, such as a minimum initial investment of goods of \$5 million in wholesale trade and \$3 million in retail trade.

Competition policy  
3



Liberalization of foreign trade  
4



In November 2019, in a move representing further liberalization of the banking sector, the central bank announced a new round of foreign bank licensing, to allow them to open branches in the country. This follows two previous rounds in 2014 and 2016, and brings the number of foreign banks operating in Myanmar to 20.

This is a further step in a maturing banking system. During military rule and in the immediate aftermath, Myanmar did not have a functioning financial system, and despite some progress, supervision rules are still underdeveloped and poorly enforced. Former President Thein Sein's reforms have put critical legislative foundations in place. Under the guidance of the International Monetary Fund, the World Bank and a number of bilateral donors, the Myanmar government enacted a number of laws that have strengthened the banking system. A managed floating exchange rate has been established and foreign exchange restrictions have been eased (through the Foreign Exchange Management Law 2012). The 2013 central bank law confirmed the independence of the central bank and broadened its responsibilities to include monetary and foreign exchange policies. The 2016 Financial Institutions Law established regulations in the sector and attempted to level the playing field between private and state-owned banks.

Despite the establishment of the legal framework, the banking system is still evolving. At the end of 2018, 28 banks were operating inside the country: four state-owned banks, 10 semi-official, and 14 private banks.

As per the 2019 IMF Article IV consultations, the financial condition of the banking sector in Myanmar is potentially considerably weaker than reported numbers indicate. Most large domestic private banks are noncompliant with the required capital adequacy ratio of 8%. Some of them are not compliant with the provisioning requirements either. Continuing low transparency and

A lack of data make it very challenging to analyze the impact of the COVID-19 pandemic on the banking

sector, but it is anticipated that increasing insolvency among their clients will further impede bank balance sheets and constrain their ability to finance a post-COVID-19 pandemic recovery.

Banking system

3

'06 '22 10



## 8 | Monetary and fiscal stability

Core inflation fell to 5.2% in August 2020 from 13.2% in October 2019, predominantly driven by the downward price pressure of slowing domestic demand. A benign inflation environment has provided monetary authorities with the impetus to lower the interest rate.

As a consequence of the COVID-19 pandemic, the kyat has been allowed to adjust flexibly with limited interventions from the central bank in order to manage the volatility of the currency. The central bank has kept the exchange rate stable between MMK 1300 and MMK 1500: \$1 for most of 2019 and 2020.

Since becoming legally independent from the Ministry of Finance in 2012, the central bank has been granted greater independence by the government. In 2018, the government even reappointed the governor of the central bank – a junta era official – for another term in order to ensure continuity.

When the military took charge in Myanmar on February 1, 2021, it installed a new central bank governor and detained key economic officials, including Bo Bo Nge, the reformist deputy governor and Suu Kyi ally.

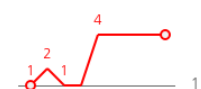
According to World Bank Data, revenue collection in the fiscal year 2019/20 was higher than expected, despite the impact of the COVID-19 pandemic. Total public sector revenue is expected to reach 19.6% of GDP in that fiscal year, up from 17.4% in the previous one. This is due to increases in revenue from both the government and state-owned enterprises. Based on preliminary estimates, tax revenue declined slightly as a share of GDP from 6.5% in the fiscal year 2018/19 to 6.2% of GDP in the fiscal year 2019/20, due to the economic slowdown and the impact of policy responses, such as tax deferrals and exemptions.

Government revenue in fiscal year 2020/21 is expected to decline, as economic activity remains subdued and commodity prices low. Total public sector revenues are projected to fall from 19.6% in fiscal year 2019/20 to only 16.8% of GDP in 2020/21. Overall tax revenue is projected to decline from 6.2% in 2019/20 to 5.8% in 2020/21. In addition, non-tax revenue is also expected to fall sharply, from 13.4% in 2019/20 to 11.0% of GDP in 2020/21. As a result, the fiscal deficit is expected to increase from 7.1% in 2019/20 to 8.1% of GDP in 2020/21. The widening deficit will be financed primarily by domestic borrowing and 3% through external borrowing.

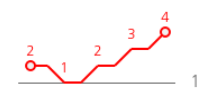
Up to 10% of the initial budget expenditure of each ministry in the fiscal year 2019/20 has been reallocated to fight against COVID-19.

The use of central bank financing is declining. Instead, there has been a move toward T-bill and T-bond financing. The share of central bank financing in total financing (domestic and external) declined from 26% in 2018/19 to 11% in 2019/20. T-bill issuances increased sharply, from 7% to 27% of total financing.

Monetary stability



Fiscal stability



Myanmar is one of 44 countries around the world that participates in the Debt Service Suspension Initiative (DSSI) which was endorsed by the G-20, allowing debt service suspension to help countries manage the severe impact of the COVID-19 pandemic. For Myanmar, the amount of suspended debt service was estimated to be approximately 0.4% of GDP in 2019/20, increasing the amount of fiscal space available for other priorities. Myanmar has committed to ensuring that these resources are used transparently and effectively to alleviate the effect of the pandemic.

In June 2020, the IMF approved \$356.5 million in emergency assistance to Myanmar under the Rapid Credit Facility and the Rapid Financing Instrument. In January 2021, the IMF agreed on a second emergency assistance of \$350 million.

## 9 | Private Property

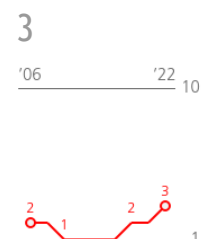
According to the state constitution, all land and natural resources are owned by the state (Article 37). Two land laws were passed in 2012 (the Farmland Law, and the Vacant, Fallow and Virgin Land Management Law) which established something like a private property system. This has been a step forward in a country where land confiscations, resource exploitation and forced evictions were prominent characteristics during decades of military rule. The total number of acres illegally confiscated in recent decades is unknown, but estimates are in the millions.

The core problem is, however, that these new laws do not recognize the customary land rights of ethnic groups. About one-third of the country's land, 50 million acres, is classified under the Vacant, Fallow and Virgin Land Management Law. A 2018 amendment to the law recognized the customary land ownership of rural ethnic minorities. However, a deadline of six months to apply for the use of land was set. Many rural farmers were unaware of the amendment and have never been informed that they need to apply for ownership. Furthermore, the permits have only a 30 year validity.

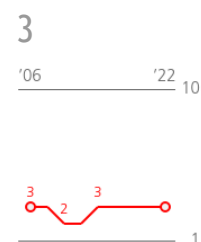
In addition, land grabbing by the military and powerful businessmen (often with links to the military) continues in many rural areas. Owing to the persistent lack of civilian oversight regarding the military, such acts are usually met with impunity.

Although the NLD promised privatization at the beginning of its term, the party did not embark on any far reaching liberalization of state industries. The NLD initiated a privatization of the insurance industry and the financial services in order to provide a level playing field for both foreign and domestic investors. However, it refrained from reforming the ailing state-owned industries. According to government sources only four out of 57 domestic state-owned enterprises operating under the Ministry of Industry are profitable. The remainder are in need of a complete overhaul. Toward the end of its term, the NLD was planning to privatize these in the near future. At the

### Property rights



### Private enterprise



same time, there are major veto players that resist privatization. Apart from the military cronies, high-ranking generals and top-level bureaucrats also resist these reforms. In addition, many extractive activities (e.g., the mining of gems and logging) are controlled by the military or individual military officers and operate partly illegally. Over 90% of the economy comprises small- and medium-sized enterprises. There are an additional 600,000 informal businesses. The promotion of small- and medium-sized enterprises is among the top priorities of many international donors.

## 10 | Welfare Regime

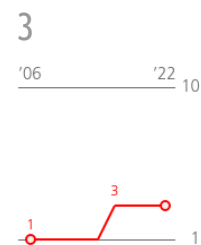
Until the recent reform period, the social safety net was thin and social protection coverage was very limited in terms of both legal and effective coverage. The country's social security system was built around two pillars: a pension scheme for civil servants and a social security scheme to cover formal employment in the private sector. While military companies provided social security for the soldiers, protection for the rest of the population was extremely patchy, with fewer than two million people covered.

This changed under the Thein Sein government, which devised the Social Protection Strategic Plan to increase coverage among the population. A new Social Security Law was passed in 2012, which came into effect in April 2014. This law provides for cash benefits of up to 60% of a worker's salary in cases of illness or maternity. In addition, money for funeral arrangements are increased by one to five times a worker's salary. Under the new scheme, retirement benefits have also seen a boost. The NLD government also sought to extend health coverage. Described by the National Health Plan (2017 - 2021) as "a path that is explicitly pro-poor," the policies strove to address socioeconomic disparities in accessing health care by reducing the out-of-pocket costs.

Nonetheless, health insurance penetration remains relatively low, according to local media, covering approximately 1.3 million workers as of March 2019, equal to 2% of the population. Health care funding accounted for 4.5% of the national budget in the fiscal year 2018/19, down from 5.2% in 2017/18, but a substantial increase on the 1% in 2011/12. Total health expenditure is expected to account for approximately 3% of GDP in 2019/20, at \$39 per capita.

As part of its response to the pandemic, the government announced that it would pay 40% of the salary to insured workers, as a family assistance fund, in accordance with the Social Security Law. Insured workers who are included in the Stay-at-Home order and who worked at the private factories and businesses were entitled to this benefit.

Social safety nets





Despite a number of prominent female politicians and intellectuals in leadership positions, gender equality of opportunity is lacking. Female labor force participation is only 39.7% according to estimations based on the ILO Labor Force Survey (compared to 80.1% male labor force participation). The literacy rate among women aged 15 to 24 of 84.4% is slightly lower than among men (85.1%). Myanmar has a gross enrollment ratio of 112.3% - with females having a slightly lower number (109.7%) compared to men (114.8%). Women are also less likely to attend university. Moreover, women are much more vulnerable in the war-torn ethnic areas; this is visible in the high rates of human trafficking, rape and forced prostitution. Compounding the challenge, Myanmar's traditional society does not openly discuss these issues.

Ethnic and religious minorities face severe de facto discrimination. For instance, they have less access to higher education, health and employment opportunities. This is especially the case for the Rohingya minority, who are denied citizenship and have recently been subject to an ethnic cleansing campaign by the military that drove almost the entire community (approximately 800,000 out of 1-1.2 million before 2016) out of the country. The approximately 200,000 members of the Rohingya community who remain inside Myanmar are confined in internally displaced persons (IDP) camps in Rakhine state, where they lack access to health care, other social services and employment.

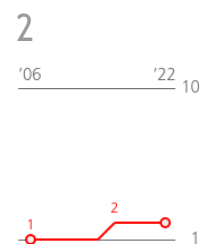
## 11 | Economic Performance

Myanmar's economy has been particularly vibrant in the five years prior to the COVID-19 pandemic. While the first quarter of 2019/20 could see strong economic growth, the economy is estimated to have grown by 1.7% in 2019/20, down from 6.8% in 2018/19. GDI per capita grew 5.8% in 2019 (and is expected to decline to 2.4% in 2020). The industrial sector was affected by disruptions in global supply chains and reduced external demand. The agricultural sector remained resilient. Growth in industrial output slowed to 1.3%, down from 8.4% in the previous year. As a consequence, official unemployment figures rose from 0.5% in 2019 to 1.56% in 2020.

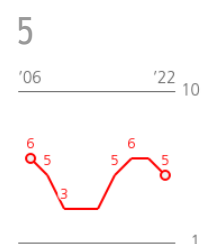
Inflation could be successfully reduced to 5.2% in August 2020 from 13.2% in October 2019. The current account deficit is expected to increase from 4.0% of GDP in 2019/20 to 4.2% in 2020/21. Net borrowing will increase to 5.8 % of GDP both in 2019/20 and 2020/21 (according to IMF estimates).

FDI commitments rose during 2019/20, despite pandemic-related restrictions on movement. FDI commitments increased by 32.9% from \$4.1 billion in 2018/19 to \$5.5 billion in 2019/20. Of the FDI projects approved during 2019/20, 20.2% were in the real estate sector and 20.4% were in the manufacturing sector. However, as of 2019, FDI still amounted to only 3% of Myanmar's GDP.

### Equal opportunity



### Output strength



Revenue collection in 2019/20 was higher than expected, despite the impact of the COVID-19 pandemic. Total public sector revenue is expected to reach 19.6% of GDP in 2019/20, up from 17.4% in 2018/19. Based on preliminary estimates, tax revenue, which in total remains very low, declined slightly as a share of GDP, from 6.5% in 2018/19 to 6.2% of GDP in 2019/20. This was due to the economic slowdown and the impact of policy responses, such as tax deferrals and exemptions.

## 12 | Sustainability

Myanmar has relied heavily on natural resources to boost its economy. Forestry, agriculture, fisheries and mining, among others, have played critical roles in the depletion of natural resources and serious environmental degradation. For example, Myanmar has one of the highest deforestation rates in the world, primarily due to illegal logging. The military, as well as ethnic armed groups, fund their organizations by handing out licenses to logging companies without taking conservation concerns into consideration. Rice fields and banana plantations (and in the south also palm oil plantations) are being developed where once dense forests could be found. The NLD government enacted new legislation, including a comprehensive environmental policy (2016), which places environmental considerations at the center of efforts to promote economic and social developments, reduce poverty, adapt to climate change and mitigate natural disasters. In 2019, it also announced a new environmental policy which requires the mainstreaming of environmental protection into planning and decision-making at all levels of government and in all sectors.

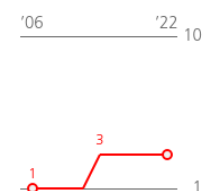
In reality, however, environmental regulations are rarely enforced and powerful business interests often prevail over environmental concerns. As a result, Myanmar ranks 179 out of 180 on the 2020 Environmental Performance Index. Should deforestation continue at its current alarming speed, Myanmar's forests will be gone by 2035.

Decades of neglect have ruined Myanmar's education system. It remains chronically underfunded and internationally uncompetitive. In many areas of the country, school attendance remains low, teaching standards are poor and dropout rates are high. It was only under the Thein Sein government that the education sector started to receive attention. The Comprehensive Education Sector Review created the framework for rebuilding the education system from scratch (2012 - 2015). The NLD made education reforms a cornerstone of the reform agenda. Under the NLD, the National Education Strategic Plan (2016 - 2021) was adopted, which envisions reforms in basic education as well as improvements in access and inclusion, curriculum, assessment, teacher training and management, the provision of alternative education programs, and technical and vocational education training.

Although both the Thein Sein and NLD governments have increased spending on education in nominal terms, education expenditure has stagnated at 1.9% of GDP. As a consequence, Myanmar performs among the lowest third in the UNDP Education index (with a score of 0.583), which captures the level of education by measuring the average years of schooling of adults.

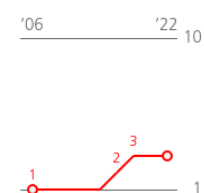
Environmental  
policy

3



Education policy /  
R&D

3



## Governance

### I. Level of Difficulty

The structural constraints in Myanmar are very high. Apart from the chronic poverty in large parts of the country – particularly within the ethnic minority regions – the country is confronted with low education levels and deficient infrastructure. Myanmar’s geographic location also makes it prone to natural disasters such as earthquakes, floods and cyclones. In addition to a high vulnerability to these natural disasters, there is a lack of mitigation capacity.

Since 2017, Myanmar has reported cases of H1N1 influenza (“swine flu”) and avian influenza (“bird flu”). Additionally, Myanmar has one of the highest prevalence rates of malaria and dengue fever in Southeast Asia. Although government spending on health has increased in recent years, Myanmar’s health care system remains deficient.

While the number of confirmed COVID-19 cases in Myanmar remained relatively low for the first six months of the pandemic, the period from mid-August 2020 saw a rapid rise, with more than 80,000 cases and 1,765 COVID-19-related deaths detected by November 2020, with Yangon and Rakhine emerging as key epicenters. Given that testing capacities are extremely low, both infections and COVID-19-related deaths are bound to be significantly under-reported. The actual figures are bound to be considerably higher.

The government in 2020 countervailed weak state capacity and shortcomings in public health care with a relatively coordinated political-technocratic leadership and the mobilization of a large number of public health workers, officials and volunteers. In addition, civil society organizations jumped in to bridge many of the gaps left by the state in the areas of prevention (e.g., through the distribution of masks and sanitizers), health care and emergency relief (e.g., by providing food packs). The economic effects of the pandemic in Myanmar will be severe.

Structural  
constraints

9



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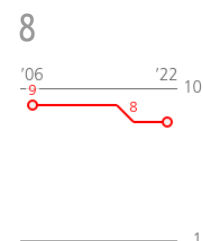
Under military rule, spaces for civil society existed only in areas of limited state control (i.e., the education and health sectors, where the state was too weak) or in ethnic minority areas, where civil society assisted rural communities. In the wake of the 2008 Nargis cyclone, many local community organizations and NGOs formed to address local social and economic issues, resulting in substantial growth in the number of NGOs. With the political opening, these NGOs began to act as watchdogs and influence the policymaking process (the latter especially under the Thein Sein government). For instance, CSOs were formed to scrutinize local politicians and bureaucrats, supervise elections, advance women’s rights and track developments in the digital sphere. While endowed with high levels of popular legitimacy and support, the government of Aung San Suu Kyi often refused to cooperate with CSOs and often excluded them from the policymaking processes they had participated in under the Thein Sein government.

Notwithstanding a few outliers, the majority of civil society groups lack a solid organizational basis; trust between civil society and the government is lacking, particularly in conflict areas and in ethnic minority areas. Civil society remains divided along ethnic, political and religious lines, making it very difficult to build social capital. Some civil society organizations (e.g., ethno-nationalist and orthodox Buddhist groups) provide services for their own communities but strongly discriminate – and sometimes engage in hate speech – against other ethnic and religious groups. There are also a number of military-linked groups that engage in political lobbying. Civil society, therefore, has a significant “dark side” that affects the country’s democratization process in a highly negative way. Polarization has increased between these two sides of civil society.

Since 1948, various ethnic armed groups have fought for autonomy or outright independence. Though the military negotiated ceasefires with a dozen armies in the 1990s, no political concessions to ethnic groups were made under military rule. These ceasefires were “gentlemen agreements” and allowed the armies a certain control over their territory in exchange for ending open military confrontation. Before the end of military rule in 2011, the military requested that ceasefire groups transform into border guard forces under Tatmadaw control. Only a handful of smaller armed groups accepted the border guard proposal, while the larger and better equipped groups declined. The result was that ethnic conflicts escalated again.

After the end of direct military rule, the Thein Sein administration began a new peace initiative, which resulted in the signing of the National Ceasefire Agreement in October 2015. However, the NCA was only signed by eight ethnic armed organizations, most of them fairly small. The most powerful groups, such as the UWSA and the KIO/KIA, abstained. Aung San Suu Kyi and her government attempted to bring the non-signatory ethnic armed groups into the peace process, but only succeeded in convincing two additional minor armies.

#### Civil society traditions



#### Conflict intensity



As of the end of 2020, only two additional minor armies had agreed to sign the NCA, while two militarily significant NCA signatories (the KNU and RCSS) had suspended their participation in the peace talks in late 2018. As a consequence, the peace process has been at a virtual standstill.

Since 2011, there has been increased fighting between the Myanmar army and the KIO/KIA in Kachin State and parts of Shan State. The review period has seen increased conflict in Rakhine State (Arakan Army) and in Northern Shan State with the Ta'ang National Liberation Army. Fighting between the Tatmadaw and the AA, which also spilled over into parts of Chin State, resulted in the deaths of several hundred people and caused at least 78,000 people to flee in 2019. In August 2019, the "Brotherhood Alliance" (AA, TNLA and MNDAA, Kokang) launched attacks on the Northern Shan State's Central Highway, leading to large-scale reprisals from the military.

Counselor Aung San Suu Kyi has backed the army's position that ethnic armed organizations must first sign the National Ceasefire Agreement before they can take part in the political dialogue held under the Union Peace Conference-21st Century Panglong. Thus, almost all of the militarily powerful ethnic groups, who also control large swaths of territory and have established para-state structures (e.g., the UWSA and KIO), have remained outside the peace process. Four peace conference sessions have been held since the NLD came to power, but major disagreements between the government and participating ethnic groups remain. In addition, Aung San Sue Kyi has been largely silent on the plight of the Rohingya so as to not strain relations with the military.

In response to the COVID-19 pandemic, the Tatmadaw formally declared a unilateral ceasefire in May 2020. However, this did not apply to Rakhine State, Chin State and the Arakan Army, which was declared a terrorist organization. Though the government set up a Committee to Coordinate and Collaborate with Ethnic Armed Organizations to Prevent, Control and Treat COVID-19 to share information, this did not give fresh impetus to the peace process. Moreover, fighting between the Tatmadaw and ethnic armed organizations often continued, despite the formal unilateral truce. In November 2020, the AA offered a unilateral truce, which was disregarded by the government.

## II. Governance Performance

### 14 | Steering Capability

Aung San Suu Kyi announced her political program during an address to the nation in April 2016: national reconciliation, internal peace, rule of law, constitutional development and further democratization. While the government developed plans in some policy areas such as education and the economy, it refrained from announcing plans in others.

While Aung San Suu Kyi enlisted national and international advisers for certain policy areas (e.g., finance and peace), other areas can be characterized as being governed by ad hoc policymaking. In the economic field, the government closely cooperated with international organizations and was aware of the importance of foreign investment for future growth. In terms of democratic change, however, the government did not follow a clear path and there was no clear strategy for moving toward full democratization. When the NLD announced its plans to reform the constitution in January 2019, it appeared to be carrying out its 2015 election campaign promise. However, it did not approach the military for consultations beforehand and instead established an ad hoc committee to further discuss constitutional reforms. The military, which holds a veto over constitutional amendments, blocked this initiative in March 2020.

The composition of the executive, which includes the military, makes prioritization and policymaking extremely difficult. According to the 2008 constitution, the military controls the ministries responsible for interior, defense and border affairs. Consequently, these ministries have often resisted reform, and the capacity of the elected, civilian part of the government to set priorities and affect changes in these areas has been close to nil. In addition, the fact that some ministries were under civilian leadership while others remained under military tutelage has led to a significant degree of fragmentation with regard to policymaking.

This can be seen in the government's response to the COVID-19 pandemic. After the first cases were reported, military lawmakers proposed that the military-dominated National Defense and Security Council be put in charge of the response. Immediately after the outbreak, the military also started to perform highly publicized public health measures such as disinfecting streets and public places. When a separate Emergency Response Committee headed by the first vice president, a military appointee, was set up with representation from every military-controlled ministry, some analysts believed the military had seized control. This committee was, in fact, a reconstituted, former interministerial coordination group, tasked with helping to implement response measures. The military later claimed to have supported the civilian government's response from the start.

Question  
Score

Prioritization

3

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The implementation of policies enacted by elected governments has been weak at best. This is a reflection of the governance arrangements shaped by former military governments. In the regions of ethnic minorities, certain economic sectors are under the control of non-state actors (ethnic armed organizations, militias and border guard forces), resulting from ceasefire agreements with former military governments. There is little coordination between the civilian and military arms of the government.

In January 2019, the NLD placed the General Administrative Department (GAD) under the control of the Office of the President. The GAD forms the backbone of the country's administration and has a coordinating role among the government ministries which extends down to the 16,000 wards and village tracts. Placing the GAD under the Office of the Union Administration laid the foundation for improved governance and better policy coordination. However, since the GAD is staffed with a number of military personnel, the effects of these changes have not been immediately felt.

Similarly, securing peace with ethnic armed organizations remains an uphill struggle for the NLD, owing especially to the role of the military, which rejects far-ranging federalism and acts as a veto player in areas where it remains in control (e.g., border areas, security and the peace process).

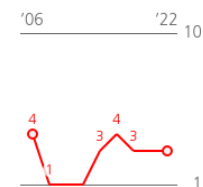
The implementation capacity of the government and administration is poor, primarily due to technical incompetence and widespread corruption at all levels. The NLD government inherited the bureaucrats of the former administration, who enjoy a guarantee of job security. Ministers and top-level civil servants are appointed on the basis of seniority rather than expertise. Lower ranking officials are accustomed to top-down directives and rarely become active, which can be particularly problematic at a time of change. The concentration of power in the NLD leadership makes delegation problematic, since everyone waits for instructions from Aung San Suu Kyi.

Myanmar has tried to display a capacity for policy learning, but there is very little consistency and a lack of knowledge in some fields. For instance, since 2006 Myanmar had a National Strategic Plan for pandemic preparedness and a response to avian influenza and human influenza. Based on several studies, which show a generally low preparedness for pandemics, Myanmar developed a National Action Plan on Health Security, a multi-sectoral plan under the leadership of the Ministry of Health.

Myanmar reported its first cases of COVID-19 in March 2019, but it managed to come through the first six months of the pandemic relatively smoothly. The number of daily cases rose from mid August. During this time, the country significantly increased its testing capacity from one laboratory in March to seven in August. After the outbreak in August, the Ministry of Health further expanded its testing capacity in 27 district level hospitals nationwide.

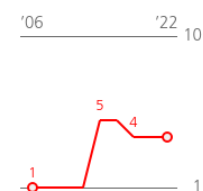
### Implementation

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### Policy learning

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Myanmar formed a national-level central committee on prevention, control and treatment of COVID-19 on March 13, 2020 (Presidential Order 45/2020). The committee spearheaded the overall national response to COVID-19 and led coordination within the public sector, private sector and civil society. In April, the Ministry of Health published the Myanmar Health Sector Contingency Plan on COVID-19, which outlined comprehensive national strategies in response to the pandemic, covering the period from April 2020 to December 2021. The contingency plan lays down response strategies through all phases.

In regards to the COVID-19 pandemic and in other fields, the readiness of the government to consult with both local and international civil society actors has reportedly decreased under Aung San Suu Kyi.

## 15 | Resource Efficiency

The NLD government is trying to use its resources efficiently. It published the Myanmar Sustainable Development Plan 2018 - 2030 as a holistic development framework offering coherence to existing strategic documents. This plan aimed to ensure existing strategic documents are implemented in ways consistent with macro-level national development priorities. According to World Bank data, underutilization of the budget remains a persistent challenge in 2020 – actual spending represented only 63% of the total budget. Though the 2008 constitution allows for fiscal decentralization, an understanding of intergovernmental fiscal relationships is nearly nonexistent. There is, for instance, a very low priority placed on improving local revenue collections. Local tax policies and administration are also underdeveloped.

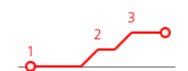
The civilian government inherited the majority of civil servants from the previous military regime (1962 - 2011) to ensure continuity and guard against backlash from the military. This, however, perpetuated incompetence and inefficiency in the service, particularly given that the junta had staffed the administration with (former) military officers during its last decade in office. According to the World Bank, the civil service under the NLD faced challenges in attracting competent staff, owing to its limited ability to offer salaries that could compete with those of the growing private sector.

Due to the strategic position of the military, the government also maintained a substantial allocation of resources in the budget for the military – in addition to military income generated by the comprehensive military business complexes. Much of the funds generated through military companies UMEHL and MEC bypass formal government channels, with indications that billions of dollars in government revenue from the oil and gas, copper, jade, rubies, amber and forestry sectors remain unaccounted for. In the jade sector, in which UMEHL and MEC are major players, investigations and analyses have found that jade worth tens of billions of dollars is smuggled each year into China, while only a small fraction of jade is officially sold through the government-run Myanmar Gems Emporium (where it is taxed).

Efficient use of assets

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There is traditionally poor coordination of policies. There are overlapping responsibilities and little cooperation among ministries. Moreover, there is generally little communication between government agencies. Old colonial laws, laws dating back to the time of military rule, and relatively modern laws exist side by side, impeding policy coordination.

During the tenure of the NLD (2016 - 2020), there appeared to be hardly any coordination between the military arm and civilian arm of the government. Specifically, coordination between the ministries run by the military (defense, interior and border affairs) and the ministries headed by NLD ministers was extremely limited. Weekly routine coordination meetings were held between the civilian and military arm of the government, but neither side trusted the other and coordination was lacking. Apparently, Senior General Min Aung Hlaing and State Counselor Aung San Suu Kyi have not met since 2018.

At the local level, the regional military commands retain substantial influence over policymaking, limiting the power of civilian administrative units. Coordination between these military commands and government's ministries was often lacking during the NLD period.

The NLD government stepped up its effort to fight corruption and gave the Anti-Corruption Commission more teeth. For the first time, high-ranking officials were the subject of corruption charges. Crucially, however, the Anti-Corruption Commission still lacked a mandate to investigate corruption inside the armed forces. Similarly, owing to the persistent lack of civilian oversight over the armed forces, the civilian arm of the NLD government was unable to monitor procurement and spending inside the military.

During the review period, the media increasingly reported corruption cases in a more critical tone. However, journalists that reported critically about the military continued to be subject to severe repression.

In terms of public procurement, Myanmar is only at the beginning of establishing a public procurement system. The first steps, which aimed to promote competition and transparency and protect the integrity of public funds, were introduced in 2011. A national Public Procurement and Asset Disposal Bill was submitted in 2020 to the lower house of parliament, following consultation across government departments, business associations and development partners. The bill could be regarded as another important change which would appoint the Ministry of Planning, Finance and Industry as the key agent responsible for oversight, enforcement and further policy development.

### Policy coordination

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### Anti-corruption policy

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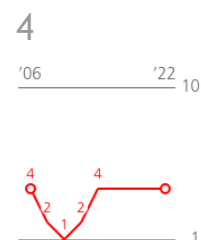


## 16 | Consensus-Building

As the military coup d'état of February 1, 2021, illustrated, the NLD and the military fundamentally disagreed over the need, pace and extent of democratic reforms during the last one to two years of the NLD's tenure. This became obvious during the run-up to the November 2020 elections, when the military systematically sought to delegitimize the electoral processes by claiming widespread irregularities (without providing any proof). The NLD was still, at that point, committed to further democratization of the political system, while, concurrently, moving cautiously and taking over many authoritarian positions held by the former military government. For instance, it adopted many positions advanced by the military with regard to the peace process, which continued to be stalled under Aung San Suu Kyi. However, the military's long-term goal had never been full-fledged, liberal democracy. Instead, the armed forces held to their own vision of "guided" or "disciplined, flourishing democracy," as enshrined in the 2008 constitution (which was crafted by the military itself). In general, the military does not trust civilian politicians and has always retained the ability to intervene to stop the reform process if it perceives a threat to its corporate interest or core national security interests, such as national unity (as defined by the military). Even prior to 2020, the military had announced that far reaching constitutional change that included a reduction of its own role in politics shouldn't be expected in the short term. In principle, the NLD and the ethnic groups agree on a federal democracy as the end goal. For the ethnic groups, however, the establishment of a federal union – including the establishment of a federal army – is a top priority. Moreover, they insist on holding political negotiations and reaching a political settlement before agreeing to ceasefires and surrendering their weapons. These goals, however, are unacceptable to the military. Ultimately, the NLD joined the military in demanding that ethnic armed organizations had to join the National Ceasefire Agreement (NCA) before being included in political peace negotiations, a stipulation that virtually all the powerful ethnic armed groups refused to meet.

There is a general consensus among the key players that economic reforms are needed to catch up in a globalized economy, but the concept of a market economy is far less known throughout the country. The economic program unveiled by the NLD in 2016 is basically neoliberal. However, there is also economic nationalism within the business community, which fears to be left out in the competition with western companies. Aung San Suu Kyi embraced several former military cronies (such as Kanbawza Bank Chairman Aung Ko Win and Asia World Chairman Steven Law) who had an interest in resisting fully-fledged market liberalization in order to protect their privileges and monopolies.

Consensus on goals



The Aung San Suu Kyi government did not have control over the military, which constitutes the primary anti-democratic actor in the country. Even before the 2021 coup, the relationship between State Counselor Aung San Suu Kyi and military chief Min Aung Hlaing was allegedly toxic. They did not meet personally in 2019 or 2020. There was very little policy coordination between the civilian arm of the government and the military arm: the civilian government only informed the military about specific developments. The military repeatedly urged the government to assemble the National Defense and Security Council, an idea that Aung San Suu Kyi rejected.

The 2008 constitution grants the military the opportunity to end any reform process by seizing power in the case of emergency or a deterioration of security. Thus, the military always controlled the extent of liberalization and could use its influence to severely disrupt the reform process if it perceived a threat to its core interests. Civilian control over the military is nonexistent, and civilian reform actors had extremely limited possibilities to exclude or co-opt players inside the military, owing to the latter's strong esprit de corps and chain of command. In fact, the NLD barely sought to establish civilian control over the military and strictly avoided interfering in what the military considered security matters. This became especially evident during the 2016 and 2017 Rohingya crises, when Aung San Suu Kyi refrained from speaking out against the military's atrocities against the minority. In 2019, Aung San Suu Kyi even personally defended the military in front of the International Court of Justice in The Hague.

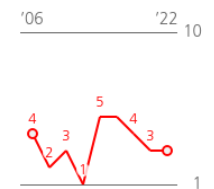
In addition to the military, ultranationalist groups such as the MaBaTha and successor organizations are anti-democratic actors. They have joined the military in street protests against the government and portrayed State Counselor Aung San Suu Kyi in a negative light.

The political leadership was unable to prevent cleavage-based conflicts from escalating. On the one hand, the military, through its control over key ministries, remained part of the government and always retained the ability to intervene and stop the reform process. This limited the ability of Aung San Suu Kyi's government to moderate cleavage-based ethnic and religious conflicts. At the same time, however, the civilian government itself exacerbated existing cleavages for populist purposes. In the first half of its term, the NLD missed several opportunities to reach out to the ethnic communities. Aung San Suu Kyi appointed all positions of chief minister in the regions with NLD members (which is, however, in line with the 2008 constitution). In 2017 and 2018, the NLD's decision to name bridges after (Bamar) independence hero Aung San, or erect statues of Aung San, sparked resistance in some regions (Mon, Shan and Kayah State).

When she came to power in 2015/2016, Aung San Suu Kyi declared the peace process the number one priority of her government and first seemed to follow a relatively inclusive approach with regard to the peace process, for example by reaching out to non-signatories of the National Ceasefire Agreement (NCA). Over time, however,

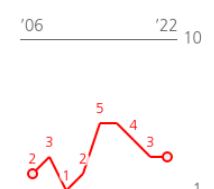
Anti-democratic actors

3



Cleavage / conflict management

3



Aung San Suu Kyi essentially adopted the army's position on the peace process, which made joining only possible after agreeing to the NCA. The NLD also supported several military operations, particularly in Rakhine State. Aung San Suu Kyi remained silent in the wake of the military's atrocities against the Rohingya, and even criticized the West for distributing "fake news." In late 2019, she personally went to The Hague to defend Myanmar in front of the International Court of Justice, an act that appeared like a populist initiative to rally Buddhist – including ultranationalist Buddhist – support behind her government. After winning the 2020 elections in a landslide, the NLD reached out to the ethnic communities and promised them it would establish a national unity government. Ethnic parties, however, reacted with only lukewarm support.

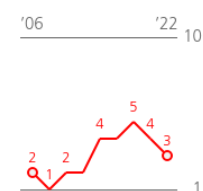
During its first term in office, the NLD government demonstrated no interest in collaborating closely with civil society. While civil society played an active role in the peace process and in policy formulation in the previous administration of Thein Sein (2011 - 2015), the NLD often excluded civil society and reduced its role in the peace process, downgrading it to an observer. Several CSOs complain about ongoing state repression and both the government and the military are using repressive laws (e.g., the Unlawful Associations Act and the Telecommunication Law) to constrain activists.

The NLD government distrusts civil society and questions its legitimacy as a voice for the people. It also accuses NGOs of being driven by foreign interests. This can be seen in the use of CSOs as election observers in the 2020 elections. While groups such as the People's Alliance for Credible Elections (PACE) provided the largest cohort of electoral observers in the 2015 general election and the by-elections in 2017 and 2018, the Union Election Commission decided in July 2020 not to grant accreditation to the election monitoring group, citing the lack of association registration and foreign funding. It was only after intense public pressure that the Union Election Commission reversed its decision to allow PACE as one of the local organizations to be accredited as election observers.

The government has not actively used civil society organizations to fight the pandemic. However, CSOs have stepped in to offer help to residents, distributing food staples and other essentials alongside religious organizations and charities. Buddhist monks, Christian churches and Muslim leaders have offered their compounds as quarantine centers.

Civil society participation

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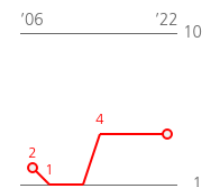
To date there has been no acknowledgment of past acts of injustices. The political leadership does not address the Tatmadaw's historical acts of injustice against the ethnic minorities. Although the goals of reconciliation and peace were formally put at the top of the NLD government's agenda, they appeared to overlook any need to address the past. Consequently, reconciliation did not take the form of truth commissions or trials where military actors were held accountable for past human rights violations. Aung San Suu Kyi repeatedly stressed that reconciliation first requires peace. Given the stagnation of the peace process, however, peace with the ethnic minorities remains largely elusive. Aung San Suu Kyi has defined national reconciliation as "healing past divisions, particularly between the military and the civilian populations and between supporters and opponents of the NLD" – a rather narrow understanding that does not include reconciling the needs of the ethnic groups.

### 17 | International Cooperation

After the political opening in 2011, nearly all Western donors have increased aid flows to Myanmar. However, the amount of aid has always been less than the aid flows from Asian donors, such as China, Korea and Japan. The latter have increased their aid. In general, the Myanmar government embraces international aid as a positive means of modernization. However, in critical areas, such as human rights or the Rohingya issue, the government is reluctant to implement reforms advocated by multilateral agencies. The Thein Sein government promised to cooperate with international donors and coordinate aid. It signed the Naypyidaw Accord for Effective Development Coordination, which is a localized version of the Paris Declaration and the Accra Agenda for Action, both international principles that attempt to ensure aid effectiveness and cooperation. The Thein Sein government also adopted the Framework for Economic and Social Reform (FESR), in consultation with civil society groups, which has been used by both government and international development partners as a guide and follow-up mechanism for continuing international assistance and monitoring the government's implementation. The NLD government set up the Development Assistance Coordination Unit (DACU) under the leadership of Aung San Suu Kyi to more effectively manage international aid. Other funds were allocated to Multi-Donor Trust Funds (MDTFs). However, the government's capacity to coordinate aid is low. The failure of international donors to coordinate their aid is also a very significant problem. The Joint Peace Fund is funded by Australia, the EU and the United States; Norway, Switzerland and Italy also contribute. The fund provides more than \$300 million for projects related to peace. Donor coordination has often been poor, since the substantial influx of foreign donors began in 2011 with the launch of the liberalization process of the formerly isolated country. This lack of coordination has been due both to a relatively high level of donor competition and a lack of policy and (administrative) coordinating capacities on the part of the Myanmar government. The strategic use of international support has also been curtailed by the government's limited capacities to develop a detailed and coherent development agenda.

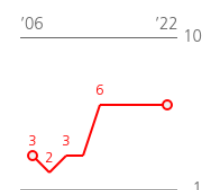
#### Reconciliation

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#### Effective use of support

6



The IMF has provided Myanmar with emergency funding (\$365.5 million in 2020; \$350 in 2020) to assist the government in alleviating the impact of the COVID-19 pandemic. Many international donors have channeled their pandemic-related support directly to CSOs (rather than the government). For instance, the multi-donor fund Livelihoods and Food Security Fund (LIFT), which is managed by United Nations Office for Project Services (UNOPS), in June 2020 reported that over 80% of its COVID-19-related activities were conducted by its local civil society partners.

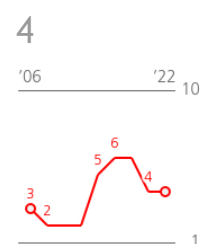
When the NLD assumed office in 2015, it enjoyed the firm backing of the international community. While most states subsequently continued to support the NLD government due to the lack of democratic alternatives, Aung San Suu Kyi's credibility and international reputation has been significantly tarnished by the Rohingya crisis. At the same time, the international community acknowledged that the Myanmar government from 2015/2016 to 2020 had both a military and a civilian arm. The United States and several European States imposed targeted economic sanctions against individual members of the armed forces of Myanmar for its ethnic cleansing of the Rohingya in 2017. In December 2019 Aung San Suu Kyi lost further credibility for defending Myanmar and the military's actions against charges of genocide at the International Court of Justice in The Hague. Within the country, her comments led to a rally-around-the-flag effect and both the military and Aung San Suu Kyi won domestic support for their policies. Abroad, however, this strategy led to an immense reputational loss for the former human rights icon. She has fallen from grace in the West and has been stripped of many accolades due to her "cohabitation" with the military.

The Myanmar government thus far has not acted on promises relating to human rights, including those inherent in its signing of major international human rights conventions. The government ratified the International Covenant on Economic, Social and Cultural Rights in October 2017. However, it has not signed the International Covenant on Civil and Political Rights. In September 2019, the Lower House rejected a proposal from the government to sign the International Covenant on Civil and Political Rights (ICCPR), stating that "the treaty could infringe on the country's sovereignty and endanger its security."

The Myanmar government continues to prevent the UN and other international organizations from providing assistance and aid in Northern Rakhine State.

The government has also restricted access to other areas of Rakhine State. It did not allow an international fact-finding mission to collect data on the atrocities committed against the Rohingya, nor has it cooperated with the UN Human Rights Council. In December 2017 the government of Myanmar refused to grant the Special Rapporteur on Human Rights on Myanmar, Yanghee Lee, access to the country, and decided to cease its cooperation for the rest of her tenure. Humanitarian organizations on the ground complain about being restricted from accessing conflict areas.

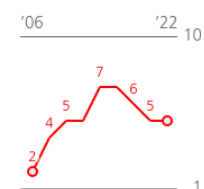
Credibility



Myanmar's most important external partners are China, Japan and India. China supports Myanmar's peace process and has extensive links to the ethnic armed groups living within the border areas. It also provides weapons to the Myanmar military and defends the country at the United Nations, particularly when it comes to issues relevant to the Rohingya crisis. India and China provide important infrastructure, while Japan has become an important donor. Myanmar cooperates with these three states on the basis of good neighborly relations. Myanmar is also a member of Association of Southeast Asian Nations (ASEAN) and held the leadership of the organization in 2014. Periodically, Myanmar clashes with Indonesia and especially Malaysia over the Rohingya crisis. Even though ASEAN follows a policy of noninterference in internal matters, it has criticized Myanmar over the Rohingya crisis and is attempting to monitor the situation in Rakhine State. The Rohingya crisis is also poisoning relations with Bangladesh, which currently hosts approximately one million Rohingya refugees (refugees from the 2016 and 2017 crises, in addition to Rohingya who fled during earlier waves of repression and communal unrest). The two countries signed an agreement to repatriate the Rohingya who fled Myanmar in 2017. The agreement has not been implemented, as the Rohingya fear a return to Myanmar and Bangladesh has not forced them to return.

#### Regional cooperation

5



## Strategic Outlook

On February 1, 2021, the night before the newly elected parliament was set to convene, the military arrested President Win Min, State Counselor Aung San Suu Kyi and other leading NLD figures. Vice President General Myint Swe from the military declared a year-long state of emergency and transferred political power to a newly established State Administrative Council (SAC) under the leadership of Commander-in-Chief Min Aung Hlaing. To justify the coup, the military claimed that the November 2020 elections, held by the NLD government, had been highly fraudulent, an accusation for which it did not provide any evidence. Soon after the coup, a countrywide civil disobedience movement began, demanding a release of the president and the state counselor and for the election result to be honored. The country-wide civil disobedience movement and a largely peaceful protest movement, both of which include large numbers of doctors, teachers, civil servants, railway workers and bank officials, have so far prevented the military from establishing fully-fledged control over the civilian administration and the economy. Weeklong protests provoked severe repression by the military, which left more than 750 people dead and more than 3,600 under arrest. During protests, police and military forces engaged in targeted killings, such as shooting protesters (including teenagers) in the head. The military has declared martial law over Yangon and several other places. Media licenses have been revoked and several newspapers have been barred from publishing. By this point, the coup and renewed military rule have largely destroyed any progress made in the past decade.

Following the coup, the Committee Representing Pyidaungsu Hluttaw (CRPH), which consisted of elected lawmakers, most of them from the NLD, was formed. In mid-April 2021, the CRPH transformed itself into the National Unity Government, a more inclusive structure that also includes representatives of the protest movement and ethnic minority organizations. Most of the ethnic armed organizations have signaled that they do not see the military junta as legitimate. Western countries have also not recognized the new State Administrative Council established by the military, and have enacted targeted sanctions against individual military officers and military-owned companies, while Russia, India and China have been silent on the military's move.

There are currently three broad scenarios for the near future.

1. The military starts to negotiate with civilian leaders from the National Unity Government and the country-wide civil disobedience movement, releases political prisoners and returns to the power-sharing agreement that prevailed prior to the 2021 coup. This scenario is extremely unlikely.
2. The military succeeds in repressing the protest movement and the country-wide civil disobedience movement, and organizes new elections. It marginalizes Aung San Suu Kyi and the NLD and manipulates the electoral system in a way that ensures that the USDP or another military proxy party can rule in the future. Given the size of the country-wide civil disobedience movement and the extent to which it has crippled the government, this scenario is less likely.



3. 3. The military fails to repress the protest movement and the country-wide civil disobedience movement, but clings to power and refuses to negotiate with the opposition. The consequence is a prolonged period of repression and violence. Participants in the protest movement begin to arm themselves. They commit small scale acts of urban warfare, such as attacks on police stations and infrastructure. There is an immediate danger of further escalation when ethnic armed organizations start to support the CDM, existing ceasefires break down and fighting escalates in wider areas of the country. Ultimately, Myanmar slides into civil war or, alternatively, a less violent form of state collapse caused by the country-wide civil disobedience movement actions to paralyze the administration. Currently, the third scenario seems to be the most likely.