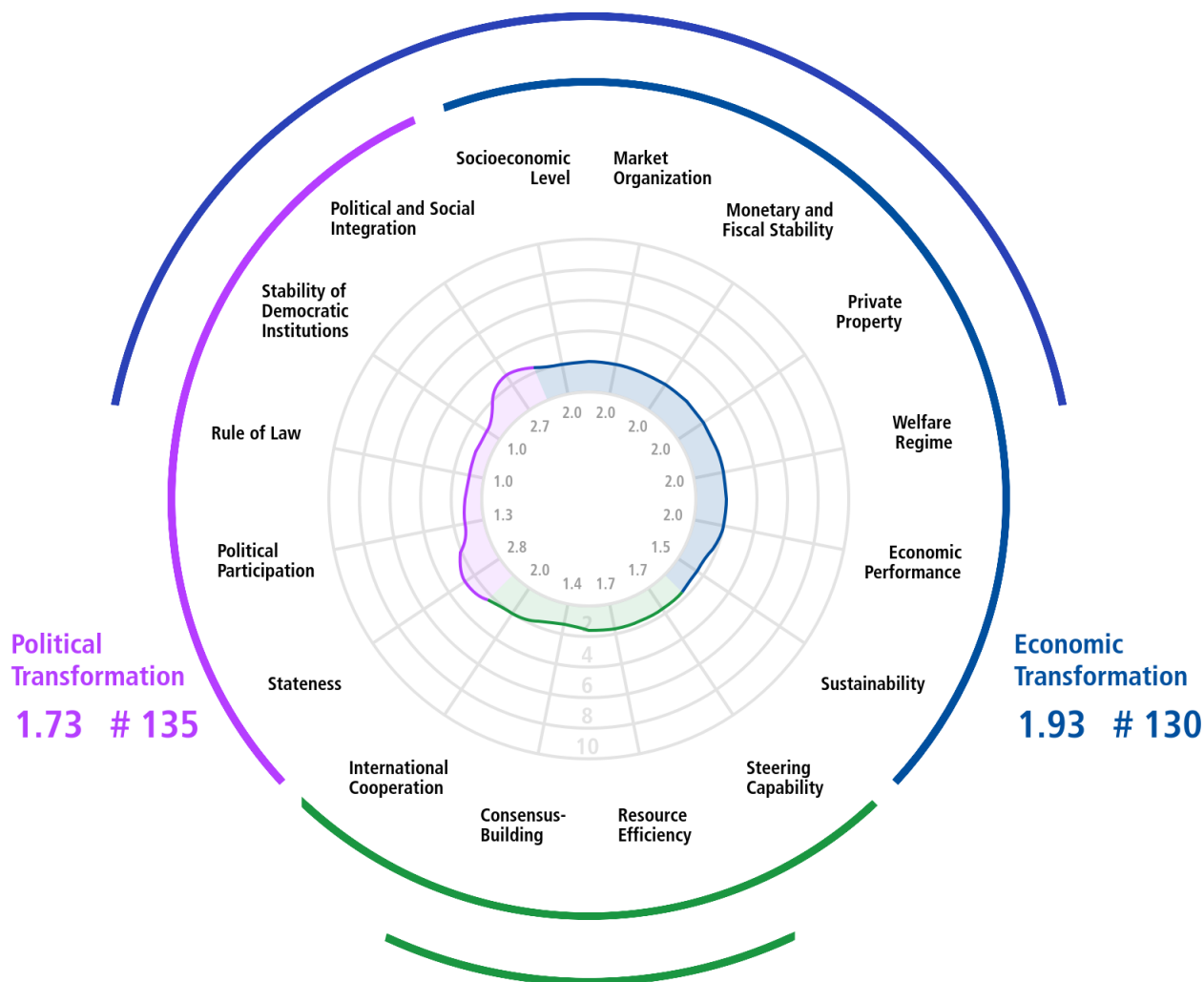


Myanmar

Status Index

1.83 # 133

on 1-10 scale out of 137



Political Transformation
1.73 # 135

Economic Transformation
1.93 # 130

Governance Index

1.62 # 132

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. 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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Key Indicators

Population	M	54.2	HDI	0.585	GDP p.c., PPP \$	4870
Pop. growth ¹	% p.a.	0.7	HDI rank of 189	149	Gini Index	30.7
Life expectancy	years	65.7	UN Education Index	0.516	Poverty ³	% 19.6
Urban population	%	31.8	Gender inequality ²	0.498	Aid per capita \$	27.7

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

The military coup of February 2021 marked a return to direct military rule in Myanmar, led by General Min Aung Hlaing and operating under the State Administrative Council (SAC). It also triggered widespread protests and civil unrest. Following the 2020 elections, which the National League for Democracy (NLD) won by a landslide, elected lawmakers formed the Committee Representing Pyidaungsu Hluttaw (CRPH), later establishing an exile shadow government known as the National Unity Government (NUG). Both the SAC and the NUG claim to be Myanmar's legitimate government. While the NUG enjoys the support of many political stakeholders in the United States and Europe and has gained recognition from the European Parliament, international recognition remains elusive.

The return to military rule has reversed much of the political, economic and social progress Myanmar made in the decade before the coup. It has exacerbated the country's long-running civil wars and led to a full-fledged humanitarian crisis.

In the immediate aftermath of the coup, the nation witnessed large-scale protests demanding the release of detained political leaders and the recognition of the 2020 election results. These protestors, hailing from diverse backgrounds, employed nonviolent methods such as civil disobedience, strikes, noise demonstrations, and boycotting SAC institutions. However, the military responded with brutal force, including indiscriminate killings, resulting in over 2,900 casualties, with 1,232 NLD members arrested. In the summer of 2022, the junta even executed opposition members. Despite this, sporadic protests and silent strikes persist. Some protestors formed People's Defense Forces (PDFs), often trained by ethnic armed organizations (EAOs) like the Karen National Union (KNU) and the Kachin Independence Army (KIA), which have been in conflict with the military for decades. Many PDFs now operate under the command of the NUG, which has declared a "people's war" against the military and collaborates with EAOs opposing the coup. Consequently, armed conflicts, once localized to ethnic regions, have spread across Central Myanmar, further destabilizing an already fragile state. While PDFs challenge the

military's control in Central Myanmar, they struggle to maintain territorial control. While some EAOs cooperate with the NUG, others adopt a wait-and-see approach, potentially seeking settlements with the military to advance their interests.

The junta has clamped down on political freedoms and curtailed civil society activities, resulting in the arrest, detention, or forced exile of over 1,000 journalists and media personnel. Independent media outlets have ceased operations or operate from abroad, and the junta has tightened control over the internet, blocking or censoring online content.

The return to military rule has also undone much of the economic progress achieved during the 2010/2011 to 2020 reform period. The junta has reintroduced import substitution policies and protectionism. The coup, the subsequent Civil Disobedience Movement (CDM), and the COVID-19 pandemic have had dire economic consequences, causing a banking crisis, soaring inflation rates, and widespread social issues. According to World Bank data, poverty rates doubled in 2022, with approximately 40% of the population now living below the poverty line. The illicit economy, notably opium production, reached a nine-year high in 2022, according to the U.N. Office on Drugs and Crime.

In an attempt to create a facade of legitimacy, the SAC has announced sham elections tentatively scheduled for late 2023. It is widely anticipated that these elections will lack fairness, with genuine opposition parties and candidates unable to participate.

History and Characteristics of Transformation

Since achieving independence from Great Britain in 1948, Burma/Myanmar has predominantly been under military rule. In 1962, General Ne Win staged a coup, asserting the necessity of military control to manage the country's unity amid various ethnic uprisings. This move escalated armed conflicts between ethnic armed organizations (EAOs) and the military.

Ne Win introduced the "Burmese Way to Socialism," which isolated Myanmar internationally and led to the nationalization of private enterprises. By the 1980s, the nation had become one of the world's least developed. In 1988, mounting economic turmoil and political grievances sparked a nationwide nonviolent uprising. The military intervened, imposing martial law and nullifying the 1974 constitution. On September 18, 1988, a crackdown resulted in around 3,000 casualties, and a new junta assumed power. In 1990, the junta conducted free elections, with the National League for Democracy (NLD), led by Aung San Suu Kyi, winning by a wide margin. Despite the clear outcome, the military refused to relinquish control.

The junta ruled with an iron grip for over two decades, beginning a gradual political liberalization process after establishing mechanisms to ensure enduring military influence. In 2008, a military-appointed National Convention finalized a new constitution that solidified the military's role in politics. This constitution reserved 25% of parliamentary seats for military members, granting them veto power over constitutional changes. It also mandated active military officers to lead the

Ministries of Interior, Defense, and Border Affairs. In November 2010, controlled elections saw the military's proxy, the Union Solidarity and Development Party (USDP), secure victory. Many former junta generals officially retired and joined the USDP. The NLD boycotted the elections due to unfair election laws. After the parliament convened in February 2011, former junta member Prime Minister Thein Sein assumed the presidency.

Nonetheless, the decade from 2011 to 2020 witnessed significant political, socioeconomic, and administrative reforms. Political liberalization resulted in the release of over 1,000 political prisoners, including Aung San Suu Kyi, who had been under house arrest for 16 years. Pre-publication censorship was abolished, and new legislation enhanced associational freedom, facilitating the formation of trade unions, among other measures. These developments culminated in relatively unrestricted elections in November 2015, where the NLD secured an absolute majority in both parliamentary houses. As Aung San Suu Kyi was constitutionally barred from the presidency, the position of state counselor was established for her in 2016. Liberalization also prompted changes in Myanmar's foreign relations, leading to the removal of most sanctions by the United States and the European Union.

The Thein Sein government initiated a peace process with the EAOs, which Aung San Suu Kyi's government continued. Initially promising for national reconciliation, the process stalled due to the military's refusal to embrace comprehensive federal reforms.

Hopes were high for democratic reforms when the National League for Democracy (NLD) took control in early 2016. However, the NLD encountered obstacles due to the continued political influence of the military. The military's brutal expulsion of the Rohingya population in 2016 and 2017, deemed by the United Nations as having genocidal intent, revealed the NLD's inability and unwillingness to oppose the military's mistreatment of ethnic minorities. This resulted in Aung San Suu Kyi, once a human rights advocate, losing international credibility. In 2019, she defended the military at The Hague before the International Court of Justice (ICJ). Nevertheless, her popularity remained intact domestically. In the 2020 elections, the NLD secured another resounding victory, while parties aligned with the military suffered a significant defeat. Although international election observers considered the elections mostly free and fair, the military contested the results, accusing the NLD-led government of fraud. On the eve of the parliament's convening, General Min Aung Hlaing led a coup, deposing the NLD government and assuming power through the State Administration Council (SAC).

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 February 2021 coup further destabilized an already fragmented state. While around one-third of the country's territory was controlled by more than 20 major – and several dozen smaller – ethnic armed organizations (EAOs) even before the coup, the number of groups fighting the junta has increased exponentially since.

In addition to the areas controlled by EAOs and People's Defense Forces (PDFs) aligned with the National Unity Government (NUG), the country's shadow government, comprised of the NLD and other forces belonging to the democratic opposition, contests the junta's control in large parts of Central Myanmar, including through guerrilla warfare and attacks in urban areas. Despite continued mass atrocities by junta soldiers, the resistance movement has gained momentum.

Even before the coup, the state's monopoly on the use of force was established only in Central Myanmar and in some ethnic community areas. Large parts of western Myanmar (Rakhine and Chin States) and the northeast (Kachin, Shan) were contested terrain. After February 2021, violence further spread to the Bamar heartland. When the military quashed nonviolent protests with lethal force, thousands of young people slipped away to remote rural areas to form PDFs and fight a guerrilla war against the Myanmar military, the Tatmadaw. According to statements by the NUG, there are currently 65,000 PDF troops in the country who often collaborate with EAOs. Specifically, EAOs have often sheltered opposition activists and PDF troops in their zones and provided them with military training. PDF troops started fighting with homemade weapons, though some of them are equipped with military-grade weapons.

According to reports from opposition media, EAOs and PDFs have advanced into previously SAC-controlled areas. In the northwest, Chin National Front (CNF) and Chinland Defense Force (CDF) units fight alongside local PDFs in Magway and Sagaing Divisions. In the northeast, the Kachin Independence Army (KIA) joined

Question
Score

Monopoly on the
use of force

2

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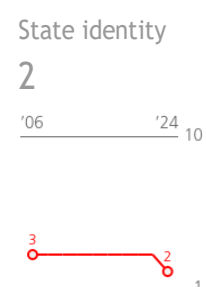
forces with local PDFs in Sagaing Division to push back SAC forces. In the southeast, the Karen National Union (KNU) says it is still mostly defending territory but has been able to reclaim areas it considers traditional Karen lands beyond the current borders of Karen State. These reported advances, and others in Rakhine State and Shan State, have reduced the area under SAC control.

Myanmar's 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 acknowledgement 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. While the current military junta continues to define the state along ethno-religious lines, the resistance movement has started to form a broad, inclusive alliance and tried to bridge existing cleavages between Bamar and ethnic minorities. The ultimate goal is deeply contested, even within the resistance, and coalition-building is quite fluid. While some EAOs work closely with the NUG government, others lean toward the junta in order to advance their secessionist struggles (in Rakhine and Shan States). This fragmentation into different camps with different conceptions of the state has weakened the legitimacy of the nation-state.

Buddhism is not the official state religion, though it plays an important role in legitimizing political behavior. The 2008 constitution, developed by the military, awards Buddhism special status. Since the majority of the population is deeply religious, Buddhism is an important moral force. It is therefore used by the junta to organize support.

The current junta patronizes Buddhism through different forms of donations as a way to legitimize its rule. In the absence of support from the general population, the state media portrays the military leadership as the protector of Buddhism. A study by the U.S. Institute for Peace found that news featuring military support for Buddhism has increased fourfold in state media since the coup in 2021. Junta Chief Min Aung Hlaing is portrayed in state media as the protector of Theravada Buddhism, the branch of a long line of warrior kings. He is also building what he claims will be the largest seated Buddha statue in the world. The project was widely publicized after March 2021, once widespread public opposition against the coup became apparent.

Many high-profile ultranationalist monks have also aligned themselves with the military. For instance, hard-line monk Sitagu Sayadaw accompanied Deputy Prime Minister Soe Win on his state visit to Russia in September 2021. The ultranationalist monk defended the military's so-called clearance operations of the Rohingya in 2016,



referred to as expulsions with genocidal intent by the United Nations. Ashin Wirathu, another hard-line monk, who was jailed on sedition charges in 2020, was released from jail in September 2021. Some monks have even rallied militia groups to counter opposition forces.

The military coup and the subsequent Civil Disobedience Movement (CDM) had a significant impact on the weak state infrastructure. The CDM, which started days after the coup, not only included many members of the core civil service but also employees from all public sectors and workers from different segments of society. Most affected were the health and education sectors, though state banks were also affected. The SAC has admitted that government work was hampered because 30% of government employees were involved in the CDM. According to data from the Teachers Association, 30% of the 35,000 tertiary education staff and 27% of the total 450,000 people working in the education sector participated in the CDM. The government tried to use repression to pressure civil servants to go back to work, but often resistance remained and civil servants (including some policemen) refused to go to work. The NUG also claims to support CDM participants financially. The NUG is trying to provide humanitarian help to the population in areas in which it has a presence and in some areas of EAOs.

Even before the coup, access to basic administrative infrastructures was limited – with only 83.7% of the population having access to a basic water source (83.7%), and even fewer people having access to basic sanitation (73.6%) and electricity (70.4%).

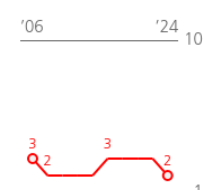
The country's archaic administration was only fully present in the heartland. In addition, large areas were and are de facto governed by EAOs. Official tax authorities cannot reach many villages, even in the heartland, and the administration lacks basic infrastructure, technical equipment and communication systems. Only 80% of villages have access to proper water and sanitation systems, and other basic services. In many ethnic states, the situation is worse. From 2010 to 2020, successive reform governments slowly strengthened the weak infrastructure, but the coup and civil resistance have virtually brought the state administration to the point of collapse.

2 | Political Participation

The last elections were held on November 8, 2020 and won by the NLD in a landslide. Despite problems of disenfranchisement of ethnic and religious minorities, international election observers concluded that the outcome of the elections reflected the true will of the electorate. The night before the newly elected parliament was about to convene on February 1, 2021, the military staged a coup and seized power from the civilian government, accusing the NLD of widespread election fraud. The military arrested President U Win Mint, State Counselor Aung San Suu Kyi, and the chair of the Union Election Commission (UEC), U Hla Thein, and imposed a state of emergency. Since then, the military has extended the state of emergency repeatedly but has never provided evidence for its allegations of electoral fraud.

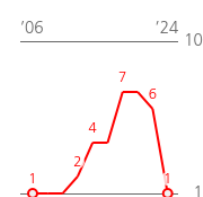
Basic administration

2



Free and fair elections

1



Min Aung Hlaing has repeatedly promised elections in 2023 in order to create a veneer of legitimacy for his military rule. The military junta canceled the results of the 2020 elections in June 2021 and appointed a new Election Commission staffed with members close to the generals. The new chair of the Election Commission is Thein Soe, who served as chair during the 2010 election, which was widely seen as neither free nor fair. The military-backed Union Solidarity and Development Party (USDP) bagged some 80% of the seats in 2010. Neither the NLD nor civil society are prepared to accept new elections as a way out of the current crisis.

Shortly after the coup, a group of mostly NLD parliamentarians elected in 2020 formed the Committee Representing the Pyidaungsu Hluttaw (CRPH), which acted as an interim, shadow government and demanded international recognition. In April 2021, the NUG, which includes lawmakers ousted in the 2021 coup, as well as members of ethnic groups and civil society activists, was formed.

The military is the veto-actor par excellence. In order to institutionalize its role in the “discipline flourishing democracy,” the military wrote the 2008 constitution, which gives the military a key role in executive and legislative affairs. The coup of February 1, 2021, again provides evidence of the military’s veto power and the weakness of civilian authorities and institutions. Currently, the military is trying to legitimize itself again with the help of elections scheduled for late 2023. It clings to the 2008 constitution (whereas the NUG has written a new one) and maintains that the coup adhered to Emergency Clauses 417 and 418 of the 2008 constitution, which grant the president the right to declare a state of emergency in “circumstances which may cause loss of sovereignty or disintegration of national solidarity.”

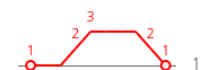
Yet, since the military arrested the president, who is constitutionally eligible to declare a state of emergency, it violated even its own constitution. Since the coup, all democratic institutions have been suspended, and the country is again under closed military rule. The NUG tries to convince the international community that it is the legitimate government.

In the days after the coup, hundreds of thousands took to the streets peacefully to protest the military takeover and demand the release of Aung San Suu Kyi. A week after the coup, the military ordered curfews and restrictions on the size of gatherings, effectively banning peaceful public demonstrations across the country. When the demonstrations continued unabated, security forces and regime supporters used increasing violence and lethal force to stop the protests. The brutality the military and security forces used to suppress the pro-democracy movement and CDM included mass arrests of political opponents and the widespread use of lethal violence against unarmed persons, including men, women and children. According to local media reports, small-scale pro-democracy protests and flash mobs continued despite violent intimidation and suppression by security forces. Similarly, some independent civil society organizations (CSOs), including human rights networks and welfare-oriented groups, continue to exist but are persecuted by the military.

Effective power to govern

1

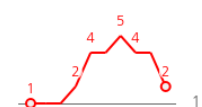
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Association / assembly rights

2

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Before the coup, the 2016 revised Peaceful Assembly and Peaceful Procession Law stipulated the national legal basis for public assembly. The 2016 revisions allowed public protests with prior notification of the authorities, replacing the 2011 version of the law, which permitted demonstrations only after authorization. The SAC has returned to this older version, formally allowing assemblies only after the authorities issue a permit. In practice, opposition demonstrations and gatherings are prohibited and suppressed through force.

The military regime restricts the right to freedom of association. In October 2022, the Organization Registration Law came into effect, requiring organizations to register and report to junta authorities. Organizations that do not comply with the law may face denial of registration, cancellation of registration, hefty fines and confiscation of organizational assets. As a consequence of both the coup and these legal changes, the work of both international and national non-governmental organizations (NGOs) has become much more difficult than before. Authorities have raided NGO offices, seizing computers and documents. The regime has also required banks to report on all foreign funds received by both local and international NGOs.

After the coup, press freedom declined drastically. The junta closed independent media outlets ranging from well-known national, regional and ethnic media to small Facebook pages. The junta re-established its old censorship regime, which provides for censorship prior to publication. The junta also tries to block internet access and censor online content. With access to social media and many websites blocked, VPNs have, at times, offered a workaround for those wanting access to information.

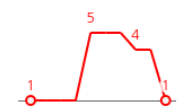
The crackdown on media resulted in the arrest, detention, loss of work and forced exile of more than 1,000 journalists, editors and media staff. The country's most important media outlets ceased publication (Myanmar Times, Union Daylight) or are now operating in exile (Myanmar Now, Irrawaddy, Frontier). Inside the country, a handful of media outlets tread a delicate path between trying to inform their fellow citizens and the need not to enrage the generals. In addition, some independent journalists continue to work undercover but are persecuted by the regime.

Journalists face extreme challenges in reporting due to the brutality of the security forces. Journalists covering the protests in 2021 have been attacked or arbitrarily detained by the security forces. The authorities often invoke the vaguely worded Section 505(a) of the penal code, under which spreading "false information" is punishable by three years in prison.

Freedom of expression

1

'06 '24 10



3 | Rule of Law

There is no separation of powers. After the coup, all judicial, administrative and legislative powers were transferred to the SAC, which consists of nine military officers and 10 civilians, drawn from military-aligned ethnic groups and parties. On August 1, 2021, Min Aung Hlaing was announced as prime minister of the “caretaker government.” The SAC also installed state and regional administration councils, representing the SAC in several regions and districts of Myanmar.

The shadow government of the NUG tries to establish a separation of powers as well as it can, but it hardly controls any territory. The CRPH considers itself the only legitimate representative legislative body of Myanmar. It meets regularly to read the NUG’s activity reports. Its committees have started looking into the performance of the ministries.

Some 50 years of military rule from 1962 to 2010 systematically weakened the judiciary and compromised the independence of the legal system. During the reform period from 2010 to 2020, the judiciary became somewhat more independent but ultimately remained weak. Since the coup in February 2021, the judiciary has again been overwhelmingly compliant with the military and has lost the modest gains it had made during independence in the previous 10 years. The military replaced many judges with links to the NLD with judges loyal to the military regime. Immediately after the coup, many courts were closed, as judges and legal officers participated in the CDM. Those participating were forced to go back to work or replaced with judges close to the regime.

According to a report by Advocates for Justice and Human Rights, subordination of the justice system to the military led to a suspension of habeas corpus rights, the misuse of military tribunals to try civilians and the subversion of orderly judicial processes for suspects. The military also moved courts into prison facilities to make it impossible for the public and media to attend those hearings. Sham trials are conducted without due process and the right to a fair trial, resulting in improper convictions and sentences for thousands of people, including State Counselor Aung San Suu Kyi. In a series of politically motivated trials, Aung San Suu Kyi was convicted of corruption and sentenced to 33 years in jail altogether.

In March 2021, the junta issued a Martial Law Order, allowing for the trial of civilians in specifically established military tribunals for a wide range of offenses committed in parts of the country where martial law applies. Since 2021, 11 townships in Yangon and Mandalay have been under martial law. In February 2023, the junta declared martial law in 37 townships, over which the SAC lacked control, and transferred judicial powers to regional military commanders, who can also initiate military tribunals. Military tribunals are headed by a military judge advocate who has the power to try 23 offenses with punishments including the death penalty and indefinite imprisonment. They sometimes sentence people in absentia, including to death.

Separation of powers



Independent judiciary



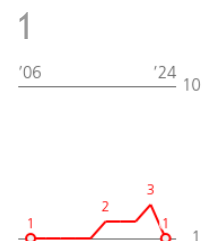
Corruption is endemic in Myanmar, particularly in the military, which runs a business network to fund its operations. To showcase progress, the SAC follows a strategic plan against corruption (2022 – 2025). SAC Chairman Min Aung Hlaing disclosed this plan at a meeting in front of SAC members, union ministers and officials from the Anti-Corruption Commission. However, corruption is rarely prosecuted, as in the case of former SAC Yangon Chief Minister U Hla Soe, who was sentenced to 15 years in prison for misuse of funds.

Only in the last five years before the coup had the fight against corruption been able to make some headway. Between 2018 and 2020, the Anti-Corruption Commission investigated the cases of several senior bureaucrats and politicians. Military officers, however, were beyond the reach of anti-corruption investigations.

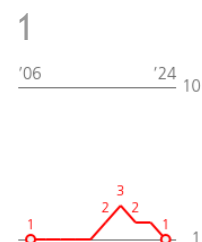
Since the military coup, the situation of civil rights has deteriorated rapidly. Gross human rights violations by the security forces occur on a daily basis. According to the U.N. Rapporteur of Human Rights, Thomas H. Andrews, some of the rights violations include crimes against humanity and war crimes. According to data from the Association of Political Prisoners, 2,930 people – including democracy activists and civilians – have been killed as a result of military crackdowns, while 13,763 people have been jailed. Eighty-four members of the opposition NLD have been killed and 1,232 NLD members arrested. According to senior U.N. officials, the regime uses capital punishment to crush opposition to its rule. For the first time since the 1980s, the junta has executed members of the opposition. In July 2022, one prominent activist and two NLD members were sentenced to death by a military tribunal under the Anti-Terrorism Law – charges human rights organizations believe to be politically motivated. As of January 2023, there were a total of 101 death row prisoners, and 121 people have been sentenced in absentia – 42 of them to death. There are numerous accusations of torture, illegal punishment and barbaric acts committed by security forces.

In areas of ethnic conflict in the states of Rakhine, Shan and Kachin, human rights violations committed by EAOs and the Tatmadaw include abductions, illegal detention, forced and child recruitment into armed groups, and extortion. In the countryside, PDF attacks on regime supporters have led to killings of security forces too. In addition, the use of landmines by PDFs poses a serious threat to civilians.

Prosecution of office abuse



Civil rights



4 | Stability of Democratic Institutions

Democratic institutions have been suspended since the military coup in February 2021. A group of ousted elected members of parliament formed the CRPH. In April 2021, they formed the NUG. The National Unity Consultative Council (NUCC) became the key platform for dialogue with EAOs, members of civil society and political parties. The NUCC's priority is to build "a federal union" based on inclusivity, collective leadership and coordination.

Myanmar is currently under a military regime, and there are no democratic institutions. The military tries to legitimize its rule through elections, tentatively scheduled for late 2023. These elections will not lead to democracy, given that they will not be free and fair. Major opposition figures and parties will either not be allowed to participate or they will refuse to participate due to the junta's ongoing repression.

A huge number of political parties, civil organizations and People's Defense Forces are fighting for a return to democracy – as it was practiced before the coup.

5 | Political and Social Integration

Before the coup, the party system was made up mainly of the NLD and the military-aligned USDP, plus a number of ethnically based political parties. Although some political parties were permitted to continue to exist after the coup, the political environment is not conducive to them being active. Hundreds of NLD officials have been jailed, with some even tortured to death in military interrogation centers. The military has demolished NLD party offices.

The junta has tried to influence the post-coup party landscape and limit the influence of opposition parties in the next elections. In early 2023, the military published a new Political Party Registration Law, which requires all parties to re-register with the Election Commission within a period of 60 days. Those that fail to do so will be abolished and their assets confiscated. The NLD has already decided that it does not intend to register. Even if some of the ethnic parties decide to register, they will have only a slim chance of achieving representation, since a clause in the junta's new law requires parties with the intention to run in more than one state or region to enlist at least 100,000 members within 90 days of registering. This will leave only a few national parties, whereas ethnic parties may run only in their regions.

Performance of democratic institutions



Commitment to democratic institutions



Party system



Party system



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).

Traditional CSOs 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 underrepresented. Though farmers, rural interest groups and community organizations became more active during the reform periods, they frequently had to struggle to make their voices heard.

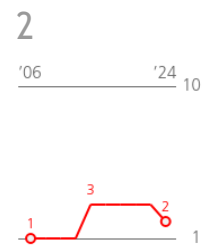
Although there are no official statistics on the number of NGOs in the country, some estimates put their number at more than 10,000 toward the beginning of the 2020s. However, these NGOs were often professional, donor-funded organizations run by members of the small, urban middle class. Consequently, the extent to which they truly represented the rural poor and other marginalized groups remains questionable. Moreover, the NGO sector and civil society in general remained fractured along ethnic and religious lines.

After the coup, civil society gave birth to a country-wide resistance movement that challenged military rule. The civil society movement bridged traditional cleavages along class, gender and ethnic lines. It also radicalized a small group of civil society activists. After the regime used repressive and lethal force, these activists joined ethnic groups in their armed fights against the junta.

The coup has had a negative impact on CSOs, as evident in the legal, financial and other threats civil society groups have faced since. According to a report commissioned by the PROTECT Consortium, one immediate impact of the coup was that many CSOs were forced to reduce or suspend their operations or close their offices. Important documents and files had to be moved to safer places in different locations, and civil society leaders fearing for their lives had to go into hiding or leave the country.

There are also concerns about the requirement for CSOs to renew their registrations, which is for five-year terms and allows them, among other things, to open bank accounts and receive funding from international donors. The requirement to regularly report on organizational activities is another concern for registered organizations, as it is dangerous for them to share all the details of their work with the regime. CSO staff are also concerned about their long-term funding prospects, given the restrictive operating environment in the country since the coup.

Interest groups



Democracy as a political system has widespread support as reflected in the countrywide CDM and public demonstrations that followed the coup in February 2021.

According to 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% voiced support for democracy in general, and two-thirds (66%) preferred democracy over other political systems, with only 9% favoring authoritarian alternatives. The majority of the population (64%) in 2019 continued to have faith in democracy for solving political problems, although this share had fallen from the 74% recorded in 2015.

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

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 over the executive.

The decade from 2010 to 2020 saw growing confidence in democratic institutions. 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.

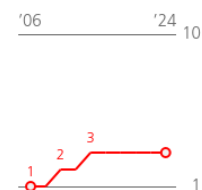
The growing violence since the coup in 2021 will certainly take a huge toll on social capital and might lead to growing mistrust among citizens. Previous surveys showed low levels of trust among citizens. According to Asia Barometer Survey Wave 5 data, in 2019, only 35% of the population expressed a 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 fell sharply, down from 61% in 2015 to 39% in 2019. An increasing number of citizens chose not to become members of organizations, a trend that did not bode well for building social trust and strengthening democracy. In addition, social capital often breaks down along ethnic or religious lines.

Approval of democracy
n/a



Social capital
3



Concurrently, however, the CDM and large-scale public demonstrations that followed the 2021 coup pointed to increasing levels of trust among different opposition groups that had avoided or even been in conflict with each other previously. For instance, activists from the persecuted minority of the Rohingya joined the demonstrations and were often welcomed by Bamar activists. Similarly, EAOs have sheltered Bamar opposition activists in their regions and provided them with military training, while the NUG is substantially more inclusive than previous opposition alliances as far as its ethnic and generational composition is concerned.

II. Economic Transformation

6 | Level of Socioeconomic Development

Myanmar achieved lower middle-income country status in 2015. With a score of 0.585, Myanmar was ranked 149th out of 191 countries in the HDI 2021. According to the country's latest development indicators, 19% of the population lives in extreme poverty. The country made significant progress in reducing poverty in the decade leading up to the coup. Based on World Bank data, the proportion of people living below the poverty line decreased from 48.2% in 2005 to 24.8% in 2017. However, the progress in poverty reduction was uneven, with rural areas (30%) being much more affected by poverty than urban ones (11%). Chin State (60%) and Rakhine State (40%) had the highest poverty rates. Ethnic minority groups, who face widespread poverty, have long been structurally excluded. This form of exclusion also has political implications, as most state institutions are dominated by the ethnic Bamar group.

Poverty reduction was also accompanied by rising inequality. The Gini index increased from 31% to 37% between 2005 and 2015 and only declined to 30% from 2015 to 2017.

The military coup in February 2021 has severe consequences for both development and poverty. Although no new national household surveys are currently available, World Bank simulations show that poverty doubled in 2022. According to these simulations, the coup and its consequences will erase the progress made between 2010 and 2020 within only two years. Accordingly, World Bank simulations indicate that 40% of the population lived below the poverty line in 2022.

Gender equality also made progress in the decade from 2010 to 2020, with the number of girls enrolling in primary schools increasing, the participation of women in the labor force improving and social spending increasing. Myanmar ranks 147th in the 2020 Gender Inequality Index. However, recent UNDP surveys have highlighted that

Question
Score

Socioeconomic
barriers

2

'06 '24 10



the return to military rule and the volatile political situation threaten this progress. Women suffer from the deteriorating security situation, have less access to health care than before, and bear the brunt of the political instability and the economic downturn.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	68697.8	78930.3	65124.8	59364.4
GDP growth	%	6.8	3.2	-17.9	3.0
Inflation (CPI)	%	8.8	-	-	-
Unemployment	%	0.4	1.5	-	-
Foreign direct investment	% of GDP	2.5	2.4	3.2	2.1
Export growth	%	11.3	8.0	-18.0	5.5
Import growth	%	-7.7	5.5	-22.1	3.0
Current account balance	\$ M	67.7	-	-	-
Public debt	% of GDP	38.8	39.3	65.5	60.0
External debt	\$ M	11177.9	13408.1	13927.2	-
Total debt service	\$ M	695.3	598.9	2313.3	-
Net lending/borrowing	% of GDP	-3.9	-	-	-
Tax revenue	% of GDP	6.4	-	-	-
Government consumption	% of GDP	18.3	18.2	20.5	20.7
Public education spending	% of GDP	2.1	-	-	-
Public health spending	% of GDP	0.7	0.7	-	-
R&D expenditure	% of GDP	0.1	0.1	0.1	-
Military expenditure	% of GDP	2.2	3.0	3.4	3.0

Sources (as of December 2023): 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

Myanmar's economy can best be described as a military oligarchy. Close relationships between the military and crony businesses dominate the private sector – two military companies and their subsidiaries generate revenue that dwarfs that of any civilian-owned company. The military's companies do not report their income. Nor do they pay taxes. In addition, many companies and conglomerates are privately owned by military personnel and military cronies.

Myanmar's informal economy is one of the largest in the world. Even excluding illicit activities such as illegal gem mining, drugs and the illegal timber trade, the informal economy is still significantly larger than the formal economy. Approximately 81% of all businesses in Myanmar operate informally, according to 2020 data from the International Labour Organization (ILO). The illicit economy even expanded after the coup. For instance, data from the U.N. Office on Drugs and Crime shows that Myanmar's opium production reached a nine-year high in 2022.

The military regime has not shown any interest in providing and implementing clear rules to protect competition and restrict monopolistic structures. The SAC has the authority to make and issue laws, regulations and notifications, with no oversight or transparency. Decision-making is opaque, and relevant competition laws are not implemented. The SAC favors businesses owned by the military and businesses privately owned by military personnel and cronies, bypassing the competition law that took effect in 2017. The law establishes a commission that began operating in 2019. However, it is not truly independent and is chaired by the Ministry of Commerce, with an overwhelming number of high-ranking state officials on staff. After the coup, the commission underwent reform that is in its early stages. Although it meets regularly, full-fledged enforcement has not yet begun. It is laying the groundwork for enforcing competition laws and increasing awareness of such laws. Experts are concerned that entrenched patterns of cronyism impede the commission's effectiveness and impartiality. Myanmar is not a member of the International Competition Network.

After the military coup, the SAC reversed some of the liberalization policies that had been passed and partially implemented during the reform period. In order to promote import substitution and self-sufficiency, import bans, quotas and support for import-substituting activities were implemented. These measures curtailed imports of both producer inputs and consumer goods and increased the administrative costs of trade. The SAC's import restrictions include soft drinks and food products from border trade, a temporary ban on motorcycles and passenger cars, and limits on export earnings. In January 2022, the list of import items that require an import license increased from over 4,000 to 7,000. The core reason behind these policy shifts is the attempt to reduce foreign currency outflows and prevent the Myanmar kyat from further depreciating.

Market organization

2

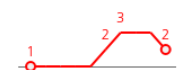
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Competition policy

2

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Liberalization of foreign trade

2

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Myanmar joined the World Trade Organization in 1995. At that time, the country was isolated from the West due to Western sanctions and the junta's self-isolation. The liberalization of foreign trade began in 2010 with the beginning of political reforms. During the reform period, the country opened up notably in the fields of telecommunications technology, tourism and manufacturing. However, liberalization was limited in agriculture and petrochemicals. Nearly 100% of agricultural products and minerals remained protected by non-tariff measures and tariffs. The simple non-tariff measure was 6.5 in 2021.

The return to military rule and the resulting CDM, which also included many bank employees, led to a near collapse of the banking system. The military appointed a new central bank governor, arrested some employees of the central bank, restricted cash withdrawals and stopped lending. In March 2022, the central bank also ordered ministries and other government agencies to cease using foreign currencies in order to stabilize the kyat.

These measures indicate a reversion to state intervention in a banking system that was gradually developing between 2010 and 2020. Prior to the coup, a legal framework had been established, allowing private banks to commence operations in the country. In 2019, there were 28 operating banks, with most located in urban areas. Among them were four state-owned banks, 10 semi-official banks and 14 private banks. The last consultation with the IMF occurred before the coup, as it remains uncertain whether the international community will recognize the military government as the official government of Myanmar. Currently, there is no available data on the bank capital-to-assets ratio or on nonperforming loans. However, economic updates from the World Bank suggest an increase in nonperforming loans. According to data from the Myanmar Microfinance Association, there has been a significant rise in microfinance loans since 2019, surging from less than 1% of the microfinance total loan portfolio in 2019 to 9.6% in December 2020 and further to 28% in June 2022.

In October 2022, the Financial Action Task Force (FATF) blacklisted Myanmar for failing to address numerous strategic deficiencies in its anti-money laundering and counterterrorism financing systems.

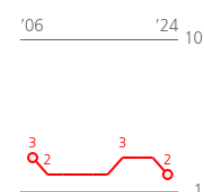
8 | Monetary and fiscal stability

Inflation rose dramatically to 16.5% in FY 2022, driven primarily by the rise in energy prices, due to the war in Ukraine and domestic shocks.

The central bank has lost the small amount of autonomy it possessed during the reform period. The military regime transferred a number of high-ranking officers into the central bank, resulting in several irrational and highly opaque decisions aimed at combating capital flight. It discontinued the previously managed floating regime and made decisions to ensure that foreign currency remains within the country.

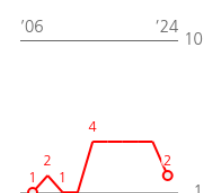
Banking system

2



Monetary stability

2



Additionally, it mandated that companies must convert foreign currency at the official rate. Furthermore, agricultural commodities were required to be exported in dollars. As a consequence of these decisions, multiple exchange rates emerged – an official rate and a black-market rate. The currency experienced a volatile trajectory in 2022. Starting at a black-market rate of MMK1,330 to the USD at the time of the coup, the currency reached an all-time low of MMK2,200 to the USD in September 2021 after the central bank abandoned a rule that had loosely pegged the kyat-USD exchange rate to the bank’s reference rate. Since then, the rate has stabilized around MMK1,800 to the USD. In August 2022, the central bank set its exchange rate at MMK2,100 to the USD in an attempt to prevent further capital flight. The fluctuating exchange rates have significantly disrupted the economy, with imported products becoming scarcer and the business environment becoming more challenging.

There is limited access to fiscal data publicly released by the military authorities. These include the six-month interim Budget Law, the six-month National Planning Law, and six-month Citizen’s Budget for October 2021 to March 2022, as well as the 12-month Budget Law and 12-month National Planning Law for April 2022 to March 2023. The availability of these data is due to the ongoing implementation of fiscal transparency measures developed as part of the public sector reforms initiated in the years before the coup.

According to these data, the fiscal deficit widened in FY 2021, and a continued deterioration in the fiscal situation is expected until 2023. In FY 2021, the fiscal deficit was MMK8.9 trillion (9.2% of the GDP), whereas for the period from April 2022 to March 2023, a deficit of MMK7.4 trillion (6.7% of GDP) is expected by the authorities. According to World Bank data, public debt is estimated to have increased by more than 20 percentage points since FY 2019.

The central bank has moved away from issuing T-bills and T-bonds and plans to use the central bank for financing. This marks a significant step backward and has the potential to add to inflationary pressures.

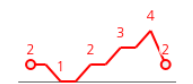
9 | Private Property

Property rights are not properly enforced. There are common land disputes (some involving foreign investments). Ownership of land is often contested, owing to the historical legacy of military expropriations. 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 customary land ownership by rural ethnic minorities. However, ethnic communities are often not aware of these rights. With an opaque practice of land titling and unclear ownership structures, squatters are, de facto, permitted to use unoccupied land. 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 over

Fiscal stability

2

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Property rights

2

'06 '24 10



the military, such acts have usually been met with impunity, even during the reform period. Since the coup, Myanmar's authorities have started to seize the properties of regime opponents and their families to intimidate them.

The military regime has not publicly announced any plans or timeline for privatization. In the past, it has preferred nationalization and support for state-owned enterprises. The military has even reopened some state-owned enterprises that were considered inefficient by the NLD. However, the SAC has established a privatization commission and started to sell land titles and factories. This privatization appears to serve the clientelist interests of the top generals. Traditionally, those who benefit from land titles and own businesses and factories are often close to the military regime. For example, in previous rounds of privatization, Myanmar's military conglomerates were the primary beneficiaries of the privatization of state-owned enterprises.

Over 90% of the economy is comprised of small and medium-sized enterprises. Additionally, there are 600,000 additional informal businesses that mushroomed in the period from 2010 to 2020. Following the coup, those businesses have faced increasing challenges, including access to finance, rising prices and security concerns. Many are struggling to survive.

10 | Welfare Regime

Until the reform period from 2010 to 2020, the social safety net remained inadequate, providing limited legal and effective coverage. The social security system in the country centered around two main components: a pension scheme designed for civil servants and a social security program aimed at formal employment in the private sector. Although the military offered social security schemes to soldiers, protection for the remainder of the population was conspicuously inconsistent, encompassing fewer than two million individuals.

This changed under the Thein Sein and NLD governments, which devised the Social Protection Strategic Plan to increase safety net coverage among the population. A National Social Protection Strategic Plan was developed in 2014, accompanied by a Medium-Short-Term Sector Plan (2018 – 2022). The budget allocations increased nearly ninefold between 2016 and 2021, albeit from low levels.

Under the new military government since 2021, social protection measures have suffered a major blow. Spending on the social safety net is only 0.2% of GDP. Budget allocations for the Ministry of Social Welfare declined to 0.31% of the total unit budget for FY 2023, down from 0.45% a year earlier. As a result, a significant portion of the population is now vulnerable to poverty, a situation that has worsened since the coup. In the absence of state spending, family networks and the diaspora have had to step in.

Private enterprise
2

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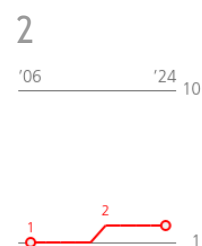
Social safety nets
2

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Equal opportunity is denied. Although there are some prominent female politicians and intellectuals in leadership positions, gender equality is lacking. Female labor force participation is only 39.3%, according to recent estimations based on the ILO Labor Force Survey, compared to 80.1% male labor force participation. The reported literacy rate among women aged 15 to 24 is 86.3%, lower than among men (92.4%). 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 less likely to attend university than men. Moreover, women in war-torn ethnic areas are much more vulnerable than men. 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. A recent UNDP survey also found that Myanmar’s women have been much more affected than men by the twin crises of the COVID-19 pandemic and military rule. They were at the forefront of protests against the military regime.

Equal opportunity

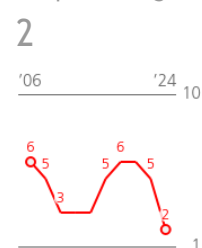


Ethnic and religious minorities face severe de facto discrimination. For instance, they have less access to higher education, health and employment opportunities than non-minorities. This is especially the case for the Rohingya minority, which is denied citizenship and was subject to brutal expulsions by the military – carried out with genocidal intent according to the United Nations – that drove almost the entire community out of the country. Around one million Rohingya currently live in refugee camps in Bangladesh. 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

In the years before the coup, Myanmar’s economy was among the fastest-growing in the world. Between 2011 and 2017, the GDP grew by an average of 7.3% per year.

Output strength



COVID-19, the military coup, and the subsequent CDM and civil war have reversed most of these positive trends. Myanmar’s economy shrank by 18% in 2021/2022 due to the economic and political instability following the coup. Estimates for 2022 indicate a GDP growth of 3%. Inflation rose to 16.5% in 2021/2022, due to the war in Ukraine and domestic instability, but eased to 7% in the latter half of the year. The fiscal deficit narrowed to 4.7% of GDP in FY 2022 from 9.2% in FY 2021. However, public debt is estimated to have risen to over 60% of GDP.

12 | Sustainability

For a long time, Myanmar's development has focused on exploiting its natural resources. Forestry, agriculture, fisheries and mining – particularly mining – have led to the depletion of natural resources and significant environmental damage. Myanmar has one of the highest deforestation rates in the world, primarily due to illegal logging. The military and ethnic armed organizations (EAOs) finance their operations by granting logging licenses to companies, disregarding environmental concerns. From 2010 to 2020, reformist governments established a rudimentary framework to protect the environment, but the current military junta shows no concern for environmental issues. The illicit export of rare earth elements to China across the border has been happening for years but has surged since the coup. The efforts of previous governments to regulate these polluted areas were suspended after the coup, due to a lack of effective oversight.

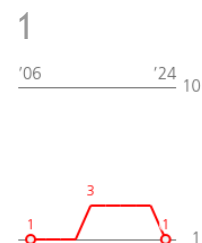
Gold mining – which causes significant environmental problems – has also increased significantly, particularly in Kachin and Shan States. The military has issued new mining permits. Meanwhile, informal and illegal mining have also proliferated, causing deforestation, erosion and flooding, and damaging fisheries by polluting water.

Due to its lack of environmental protection, Myanmar ranks 179th out of 180 countries in the Environmental Performance Index. If deforestation continues at the current speed, Myanmar's forests will be depleted by 2035.

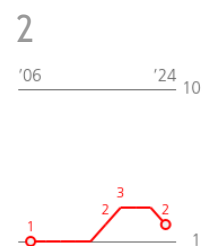
Decades of military rule have had a severe impact on Myanmar's education system, which has remained chronically underfunded and internationally uncompetitive. School attendance remains low, teaching standards are poor, and dropout rates are high. Last decade, there was a slow change for the better as both the Thein Sein government and the NLD government started to pay more attention to this sector. Under the ousted NLD government, education became a priority area. The 2015 Law amending the National Education Law specifically prescribed that education expenditure should reach up to 20% of the total government budget. Although the NLD government fell short of this aspiration, substantially more funds were allocated to education during its tenure: 8.4% of the total union budget and 2.4% of GDP in 2020.

COVID-19, the coup and the subsequent protests had a significant impact on the education system, with tens of thousands of educators and students participating in the Civil Disobedience Movement (CDM). Schools and universities remained closed until June 2021. When the State Administration Council (SAC) reopened state schools and forced teachers to return to work, a large number of students did not enroll. According to the Myanmar Teacher's Federation, only 10% of students enrolled in school in June 2021. The security situation may have contributed to this

Environmental policy



Education policy / R&D



decline, as there was an increase in violent attacks on schools from 10 attacks in 2020 to some 190 in 2021, with the highest number of attacks occurring in May and June. Additionally, the education system became further fragmented when the National Unity Government (NUG) announced the implementation of its own various education programs. The NUG initiated school programs in the “liberated areas” of the Magwe and Sagaing regions and also provided online activities, which reportedly attracted thousands of participants.

According to World Bank data, education expenditures in the military government’s budget decreased, with only around 7% of the union budget allocated to education in FY 2023.

Governance

I. Level of Difficulty

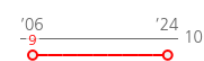
The structural constraints on governance in Myanmar are very high. There is chronic poverty in large parts of the country, particularly in the areas where ethnic minorities live. Moreover, the country has low education levels and deficient infrastructure. While the Delta Region and the lowlands are prone to floods, cyclones and earthquakes, the mountainous regions in the east are generally inaccessible. There is a significant lack of mitigation capacity.

Under past military rule (1988 – 2010), spaces for civil society existed only in areas of limited state control (i.e., the education or health sectors, where the state was too weak) or in ethnic minority areas, where civil society assisted rural communities. A nucleus for the emergence of self-help groups was the 2008 Nargis cyclone, which led to the creation of many CSOs and local community organizations, formed to address local grievances. This resulted in a significant increase in the number of CSOs. During the reform period, these groups began to work in a number of fields, such as women’s rights, natural resource governance, education, peacebuilding, poll watching and rural development. Though civil society often lacked access to and influence over the government and policymaking, it helped to deepen democracy by organizing society; it also built an important reservoir for collective action, which became clear after the military coup in February 2021. Organized primarily online by the younger generation, millions of people protested against a return to military rule. During their protests, civil society groups tried to bridge existing cleavages. Civil society mobilized across class, gender, ethnic and generational divides in order to demonstrate their unwavering rejection of the coup. Their creative deployment of cultural symbols and skillful use of social media for communication and mobilization initiated a full-scale social revolution that went against many established norms of traditional Myanmar society. Civil society also reached out to ethnic communities (such as the Rohingya) to apologize for past injustices.

Military repression and ongoing violence against peaceful protesters since early 2021 have had a devastating impact on civil society. It hardened the belief in civil society that military rule needs to be uprooted and compromises with military governments are to be avoided. It also radicalized parts of civil society, as some representatives of CSOs fled into the jungle to join the EAOs’ armed struggle against the military. The repressive climate also led to a weakening of civil society as many members had to flee persecution.

Structural constraints

9



Civil society traditions

8



The coup has reignited the civil war that has been ongoing since 1948. Since independence, various ethnic armed groups have fought for some form of autonomy and even independence. Though the military negotiated ceasefires with several ethnic armies in the 1990s, no political concessions to ethnic groups were made under military rule. Only after the end of direct military rule did the Thein Sein administration create a peace initiative, which resulted in the signing of the National Ceasefire Agreement (NCA) in October 2015. However, the NCA was only signed by eight smaller EAOs, while the most powerful groups, such as the United Wa State Army (UWSA) and the Kachin Independence Organization/Kachin Independence Army (KIO/KIA), did not trust the quasi-military government and chose not to sign. The civilian government under Aung San Suu Kyi continued the peace process but could not end the civil war. Only two additional minor armies joined the NCA (the KNU and RCSSS) during its tenure.

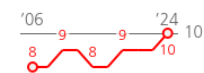
Despite the peace process, there was continued fighting between the KIO/KIA and the Myanmar army in Kachin State in the years prior to the 2021 coup, as well as increased fighting in Rakhine State and in Northern Shan State (Ta'ang National Liberation Army).

The coup reignited the civil war. When the military repressed the CDM and crushed peaceful protests with violence, People's Defence Forces (PDFs) were formed to protect people from the violence of the military junta. These PDFs have grown in size, organization and capabilities. At the end of 2022, there were more than 300 PDFs in the country comprised of approximately 65,000 soldiers. Most of them are under the command of the NUG, which declared a people's defense war against the junta in September 2021. The PDFs have formed loose alliances with EAOs, such as the KIO/KIA or the KNU, which have often provided them training. Other EAOs, however, have remained more cautious in their support.

As a consequence, violence has increased tremendously in recent years. According to Armed Conflict Location and Event Data Project (ACLED) data, the number of clashes between the military and PDF/EAOs increased from 1,921 in 2021 to 3,127 in 2022. This represents a 94% increase in armed conflict. The junta is also increasingly using air strikes, including against civilians in communities where PDFs are supposed to be sheltering. From February to November 2022, the junta carried out a reported 374 air strikes compared to 81 air strikes over the same period in 2021. According to ACLED estimates, 30,000 people have died due to armed conflict since 2021, while the number of displaced people has risen to 1.5 million.

Conflict intensity

10



1

II. Governance Performance

14 | Steering Capability

Immediately after the coup, the junta stated that it did not aim to alter the foreign and economic policies of the ousted government. After coming into power, it announced nine objectives. One of the three economic objectives was to strengthen the market economy. Min Aung Hlaing welcomed international investors. The Myanmar Economic Recovery Plan, presented in August 2021, was supposed to be in line with the economic plans of the previous government. However, due to the political and economic turmoil, many international companies working in Myanmar left, with hardly any new foreign investment coming into the country. Confronted with sanctions by the West and lacking foreign investment, the SAC initiated an import substitution plan. Many of the new regulatory guidelines were not formally announced, and numerous players in the business community lamented that the military had failed to consult even the most important stakeholders. Although the new economic policy was discussed with the Myanmar Federation of Chambers of Commerce and Industry, only few companies had knowledge of the new policy environment.

The implementation of policies enacted by the SAC is weak at best. The SAC government is not legitimate. Nor does its administrative outreach extend into the countryside or local communities. In some local communities, people work with the NUG, helping it undermine the policies of the junta. PDFs contest the SAC's control in significant parts of the territory in Central Myanmar, while many ethnic areas bordering Thailand, Bangladesh, China and India have long been under the control of EAOs that have established para-state structures.

The SAC demonstrates no willingness or ability to engage in policy learning. It is not interested in good governance or building on established good practices or inputs from international cooperation. Nor does it use expert knowledge. On the contrary, international agencies and experts are surveilled and viewed with suspicion. An economic adviser of the NLD government, the Australian academic Sean Turnell, was arrested on allegations of being a foreign spy. He was only released after several months in prison.

Question
Score

Prioritization

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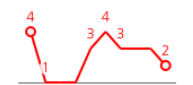
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Implementation

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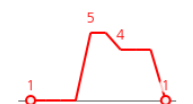
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Policy learning

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15 | Resource Efficiency

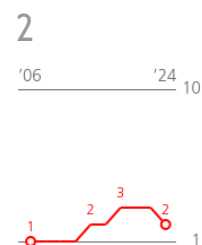
The CDM had a huge impact on the state administration and state budget. Military authorities had to pressure civil servants to return to work, and some have remained aligned with the NUG. This had implications for the use of state resources as well; tax revenues, which are traditionally low (according to World Bank estimates 6% of GDP before the coup), dropped to a new low of 4.5% of GDP in 2021. In 2022, these figures improved somewhat but stayed at a low 5.5%, according to World Bank figures. Public spending was also affected. According to World Bank figures, spending outturn was 25% below the total budget for 2021 (normally, this gap is around 10%). With revenue declining more than spending, the fiscal deficit is projected to have increased. The FY 2021 deficit is estimated to reach 8.8% of GDP. Public debt is estimated to have risen above 60% of GDP. According to World Bank data, the public debt-to-GDP ratio is estimated to have increased by more than 20 percentage points since the FY 2019, with relatively high fiscal deficits, a significant estimated contraction in GDP in FY 2021 and exchange rate valuation effects all contributing to the rise.

Due to the strategic position of the military, substantial amounts of budget resources are allocated to the military – in addition to the military’s income generated by its business complex. Public expenses for defense increased significantly in 2021 and 2022. Many of the funds generated through military companies, such as UMEHL and MEC, bypass formal government channels and are not taxed. There are indications that billions of dollars in government revenue from the oil and gas, copper, jade, rubies, amber and forestry sectors remain unaccounted for.

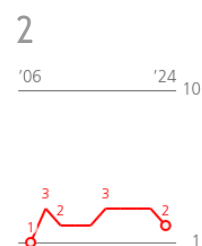
Myanmar has seen a growing fragmentation of authority. In addition to the SAC, the NUG and several EAOs pursue their own political objectives and implement their own policies. This creates multiple systems in certain sectors. For instance, in the education sector, there are different systems existing side by side. Apart from the central state’s education system, the NUG has started to run education programs in areas under its influence and with the help of online platforms. Several EAOs and ethnic groups run their own education programs as well. The central government does not reach into many local and ethnic areas and does not have effective authority to coordinate such initiatives.

There is neither a transparent public procurement system nor regular, independent auditing of state spending. The SAC announced an official anti-corruption policy but did not put in place the institutional safeguards (independent media, asset declaration) to guarantee proper prosecution of corruption. The military, which constitutes the SAC, has long been acknowledged as highly corrupt itself.

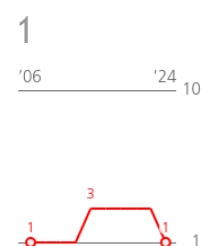
Efficient use of assets



Policy coordination



Anti-corruption policy



16 | Consensus-Building

There are several visions for Myanmar. Through the 2021 coup, the Tatmadaw has re-established direct military rule and seeks to maintain a political system under its tutelage. It still clings to the idea of a “discipline flourishing democracy,” which is a military-dominated regime legitimized by elections. General Min Aung Hlaing has identified the core steps toward this goal: a reformulation of the election system, the holding of elections and the transfer of power to a new government.

By contrast, the NLD and other groups belonging to the democratic opposition strive to establish democracy but differ as to its contents. Many EAOs and ethnic groups struggle for ethnic autonomy, having various preferences as far as the political systems they want established in their territories. The military currently shows no interest in accommodating oppositional forces, while the democratic resistance also refuses to engage in dialogue with the military, owing to its authoritarian vision and the atrocities it has committed.

The NUG and the CRPH have formed a consultative platform, the National Unity Consultative Council (NUCC), for political parties, EAOs, representatives of the CDM and CSOs. They have also developed an eight-step road map to establish a federal constitution, thereby working toward consensus-building among the various opposition forces.

One of the main declared objectives of the SAC is to develop a market economy. Min Aung Hlaing invited foreign investors to come to Myanmar. However, the military’s version of market economy mostly relies on the two pillars of military companies and crony businesses, which strengthen its rule.

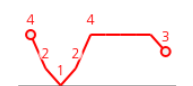
The NUG has not proposed a concrete strategy to develop a market economy. It has announced guidelines for responsible investments and tries to isolate military-owned businesses in its fight for recognition.

Myanmar is currently under a closed military regime. The oppositional NUG mostly operates in exile or in hiding, being in open conflict with the military. It enjoys broad support among the population but lacks territorial control. The military itself is a hierarchical organization with a decidedly strong esprit de corps and a cultural custom of not disagreeing with high-ranking or older members of the (military) community. The military employs a number of coercive techniques to guarantee military unity, from rewards to punishment and from propaganda to coercive control over the families of military officers. The NUG is actively trying to lure members of the armed forces into its camp. In 2021, approximately 3,200 defections occurred, although most defectors belonged to the military’s lower ranks. Defections decreased in 2022, but there still seem to be disgruntled soldiers in the armed forces. At the top, however, there seems to be unified support for General Min Aung Hlaing and his policies.

Consensus on goals

3

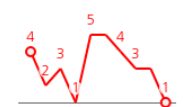
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Anti-democratic actors

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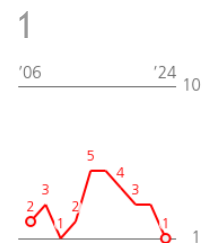


The SAC’s rule exacerbates existing ethnic and political cleavages. The current military regime is based on the coercion and co-optation of a small group of former opposition leaders. The military uses extreme violence against the opposition and the civilian population. As a consequence, the younger generation, which has been at the frontline of the opposition, has framed the struggle against the military as the final battle for democracy. The aim of “uprooting military dictatorship” is viewed by many as their only chance for survival. The military treats the young generation as criminals or “terrorists,” using lethal force to fight them. At the same time, Min Aung Hlaing approaches certain groups to co-opt them into his new political system. He has informed a number of political parties and ethnic leaders of his plans to change the party and election systems. The elections promised for late 2023 seem to be motivated by his desire to extend his rule (or that of a military-affiliated party) with the aid of elections.

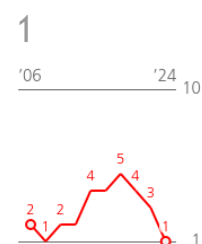
The ruling junta does not take civil society’s views into account. On the contrary, large parts of civil society are under threat, owing to their affiliation with the resistance forces. Many CSOs are in hiding or have been dissolved.

The military junta does not address historical acts of injustice and does not initiate reconciliation processes, being the main perpetrator of human rights violations, both past and present. The NUG has announced that historical reconciliation is high on its agenda. It aims to establish a federal state to “end decades of inequality and discrimination” (quote from the NUG Foreign Affairs Minister). To start national reconciliation, however, both the NUG and the NLD need to discuss the most recent systematic exclusion of youth and women. Similarly, they must address the historical legacies of ethnic and religious discrimination, including within their own ranks. Several EAOs are willing to join the reconciliation process, while several CSOs are trying to address the divisions that emerged between elite and grassroots organizations during the reform period. However, strong ethnic, religious, generational and cultural divisions continue to exist in the opposition as well.

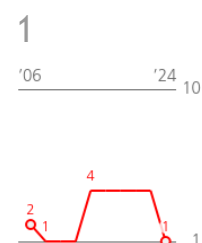
Cleavage / conflict management



Public consultation



Reconciliation



17 | International Cooperation

Since the coup in 2021, the military regime has become increasingly isolated again. Western states have enacted sanctions against high-ranking generals in the junta. At the global level, U.N. Secretary Antonio Guterres has repeatedly called for a return to democracy. In a telephone call with the Australian foreign minister after the coup in 2021, the junta's second-highest ranking leader, Deputy Commander in Chief Soe Win, reportedly said: "We have to learn to walk with only a few friends."

Sanctioned by Western governments, Myanmar mostly relies on economic cooperation with its neighbors and Russia. Since the coup, China has become the main source of investment. This includes \$2.5 billion in a gas-fired power plant to be built west of Yangon (owned by Chinese companies) and the China-Myanmar Economic Corridor, encompassing oil and gas pipelines, roads and rail links costing many tens of billions of dollars.

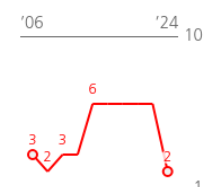
Many Western governments have concentrated on humanitarian aid, particularly emergency assistance and food for displaced people. Moreover, both the United States and the European Union have sought closer relations to the NUG's parallel government. The European Parliament has accepted the CRPH and the NUG as legitimate representatives of the country.

At the United Nations, the junta could not take its seat in the General Assembly as ambassador Kyaw Moe Tun, who defected, decided not to leave his position. Backed by a compromise between China and the United States, the United Nations' credential committee has refused to appoint the junta's candidate. Since it is contested in the international community which entity is the country's legitimate government, a number of international organizations have stopped working in Myanmar (e.g., the IMF).

The current military government is not considered a reliable partner by much of the international community. However, Myanmar's international credibility had already started to decline during the tenure of the NLD (2016 – 2021). When the NLD assumed office in 2015, it enjoyed the firm backing of the international community. However, the party's position during the military's expulsion of the Rohingya in 2016/2017 led to the establishment of the Independent Investigative Mechanisms for Myanmar (IIMM) in September 2018. The IIMM has the mandate to collect, consolidate, preserve and analyze evidence of the most serious international crimes and violations of international law committed in Myanmar since 2011. Since the military authorities in Myanmar do not cooperate with the international community, the IIMM has also broadened its mandate to collect evidence of gross human rights violations since the military takeover in 2021. The military blocks humanitarian aid from reaching vulnerable populations in Rakhine State. In light of the lack of cooperation from military authorities, both U.N. organizations and states have

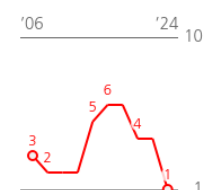
Effective use of support

2



Credibility

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increasingly sought to cooperate with the NUG and critical voices in civil society. The NUG has announced it will cooperate with the International Criminal Court (ICC) to ensure Myanmar's compliance with international legal obligations regarding the Rohingya. The NUG accepted the ICC's jurisdiction over the case and indicated its interests in acceding the Rome Statute.

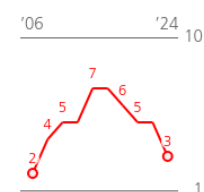
Myanmar's most important partners are China, Japan and India. The relationship with some of these partners, however, has been strained by the coup. Though China has not condemned the military coup directly, it did not protect the military authorities from international criticism. In the months after the coup, Beijing repeatedly called on the Myanmar authorities to protect China's business interests. Protesters and EAOs have repeatedly attacked Chinese investment. For instance, several Chinese factories in Yangon were damaged in March 2021. Attacks by PDFs on the Chinese-Myanmar oil pipeline have also occurred. Nevertheless, China has continued to invest in Myanmar and to cooperate with the junta. For instance, it has started to broker an agreement between Myanmar and Bangladesh to enable the repatriation of some Rohingya refugees to Myanmar, an initiative used by the SAC to gain international legitimacy ahead of its sham elections, scheduled for late 2023. In addition, Myanmar has enhanced its cooperation with Russia. India has largely remained silent on the coup, prioritizing its economic interests in Myanmar. It voiced deep concern after the execution of democracy activists at the end of July 2022, but did not limit cooperation with the junta as a result.

Japan has criticized Myanmar repeatedly and demanded a restoration of the democratic system. It also urged the junta to cooperate with ASEAN. However, Myanmar's relations with ASEAN are deteriorating. All ASEAN states are increasingly affected by the growing lawlessness in the country. Under the leadership of Brunei, ASEAN issued the so-called Five Point Consensus, which calls for an end to violence and peaceful dialogue between the country's fighting parties. However, the SAC has shown no sign of cooperation with ASEAN. For instance, the junta has not allowed the ASEAN envoy to meet with opposition figures (including Aung San Suu Kyi and President Win Myint).

Consequently, Myanmar was excluded from the ASEAN summits in October 2021 and November 2022. NUG representatives are already informally at the table of some ASEAN meetings, and calls within the organization to recognize the NUG in some ways have grown louder, especially in Malaysia and Indonesia.

Regional cooperation

3



Strategic Outlook

The military regime currently seeks to legitimize its rule with the help of elections, which are tentatively scheduled for late 2023. However, due to the military's repression of political opponents and rejection of the process by the NUG, PDFs and several EAOs, it is likely that these elections will further increase violence.

With China and Russia continuing to support the military, prospects for political change remain bleak. Nevertheless, the United States, the European Union and the governments of other Organization for Economic Cooperation and Development (OECD) countries should stand firm in communicating that they will not recognize the 2023 sham elections as a step toward political normalization.

The resistance movement should continue to bring stakeholders from diverse ethnic, political, religious and generational backgrounds together to develop a shared vision of a federal democratic union in which all ethnic and religious groups enjoy equal democratic rights. It must also enhance gender equality within its own ranks.

Currently, several Western governments support the National Unity Government (NUG) and exiled civil society representatives. It is imperative for the international community to maintain contact with Myanmar's opposition forces and civil society organizations (CSOs) and to regularly conduct analyses of what is happening on the ground. Concurrently, OECD donors can seek to facilitate dialogue among different segments of the opposition, thus helping them to tackle their internal conflicts and differences. In doing so, OECD governments should also address controversial issues related to landmines, such as the use of them by PDFs.

Overall, OECD governments should support measures to protect civilians in Myanmar's multiple armed conflicts. This includes strict implementation and monitoring of existing arms embargoes, as well as documenting the war crimes committed by the Myanmar military, such as airstrikes against civilian populations.