

Setting the Scene: Lessons from Twenty Years of Foreign Aid

Morten B. Pedersen
Research Fellow
Australian National University

Morten Pedersen is a research fellow in the Centre for International Governance and Justice at Australian National University (ANU), specializing in international statecraft, human rights and Burmese politics and development affairs. He spent six years in Burma from 2000 to 2006, working as senior analyst for the International Crisis Group (ICG) and consultant for the UN Country Team and the World Bank, followed by two years at the United Nations University, Peace and Governance Programme, in Tokyo. He holds a PhD in Politics and International Relations from ANU and is the author of “Promoting Human Rights in Burma: A Critique of Western Sanctions Policy” (Rowman&Littlefield, 2008), as well as numerous policy papers and academic articles on Burma. He continues to work with the ICG, as well as the Conflict Prevention and Peace Forum in New York, on finding effective ways to promote the security, freedom and welfare of the Burmese people. His current research focuses on the political transition process and the impact of international aid programs.

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Since the late 1980s, Western governments and international organizations have aggressively promoted democratization in Burma, largely to the exclusion of other urgent problems, including armed conflict, bad governance and a deepening humanitarian crisis.

In protest over the military regime, Western donors, led by the United States, have suspended most bilateral aid, blocked support from international financial institutions, and severely restricted the mandates and funding of other international agencies and non-governmental organizations.

As a result, Burma receives less than three dollars per capita in official development assistance (ODA) annually, or nearly *twenty* times less than the average for other least-developed countries. Moreover, aid is restricted to humanitarian activities, mainly health services provided directly by UN agencies and NGOs.

When these policies were put in place, many believed that democracy was just around the corner. “Aid”, critics argued, “could wait. Given government regulations and economic mismanagement, it wouldn’t work anyway. It would only delay the primary goal of regime change by legitimizing and enriching the regime.”

As we know now, however, these judgments were misguided and a policy review has been long overdue. Not only have deteriorating socioeconomic conditions made aid a matter of life and death for hundreds of thousands of Burmese, international agencies on the ground have also demonstrated that it can be delivered both effectively and responsibly. In fact, aid has, arguably, emerged as our best tool for promoting better governance and human rights in Burma at this time (however limited it may be).

This brief paper highlights five key lessons from the past twenty years. It also offers some broad recommendations to guide U.S. policymakers as they consider new ways forward.

Lessons:

1. Democracy is a long-term prospect.

Despite twenty years of international ostracism, sanctions and growing domestic discontent, the military rulers remain recalcitrant and firmly entrenched in power. The democracy movement has been reduced to a shadow of its former self and the strategies

of groups inside the country are shifting towards cooperation with the government and efforts at change from within.

In the absence of its leader, Daw Aung San Suu Kyi, who remains under house arrest, the National League for Democracy (NLD) has struggled to provide effective leadership for the democracy forces. Unceasing repression and faltering support from core constituencies have further weakened the party, which looks at serious risk of being marginalized in the ongoing government-controlled transition process. Efforts by 88 Generation students and political monks to revitalize the movement for change was dealt a severe blow in 2007 when the army violently squashed large-scale street protests in Rangoon and jailed most of their leaders.

Faced with these realities, many domestic groups now see participation in the upcoming elections in 2010 as the only way forward. They hope that the introduction of nominally democratic institutions under the new constitution will facilitate improved civil-military relations and a gradual civilianization of governance. In the meantime, they work to strengthen political and civil society and empower local communities, focusing on non-confrontational activities.

2. Poverty has emerged as the most acutely felt constraint on human rights for the majority of people across the country.

While the world has remained focused on the political struggle, high and growing levels of poverty, coupled with a continuous decline in the capacity of social service structures to provide essential services, have placed millions of households in a situation of extreme vulnerability. If left unchecked, these trends (which have been compounded by economic sanctions and restrictions on aid) could escalate into a major humanitarian crisis.

According to the UN, more than 30 per cent of the population is already living in acute poverty (i.e., they are unable to afford basic food and non-food items). In Chin state, the number is 70 percent and in Eastern Shan state 52 percent. Ninety percent of the total population is living on less than 65 cents a day, three-fourths of which go to food, leaving little for shelter, health, or education, never mind as a buffer against economic shocks such as Cyclone Nargis and the current global economic crisis. More than a third of children under five are malnourished, and fewer than half of all children complete four years of primary school. Every year, more than 100,000 people die from AIDS, malaria, or tuberculosis.

The weakening of the education system is resulting in a generation that is less educated than their parents, an historical aberration. This not only deprives millions of children of a good start in life, but also seriously impedes the ability of households to overcome chronic poverty as well as the country's longer-term development prospects. Deteriorating health systems mean that Burma is unable also to effectively confront growing rates of HIV/AIDS and multi-drug resistant tuberculosis and malaria.

As the country's human resources and administrative capacity decline and the problems grow, it will become harder and harder for any government to turn the situation around. Not surprisingly, many political and social groups inside the country are now urgently calling for increased aid to help the general population cope with repression and bad governance and help halt the country's slide and prepare for the future.

3. Aid is making a difference.

The root causes of Burma's development failures are political. As long as economic policies and development priorities remain hostage to narrow political needs, the prospects for broad-based economic growth will remain dim. Nonetheless, aid organizations are saving tens of thousands of lives every year, while helping to build the basis for future progress. They could do much more with increased funding.

At the most basic level, internationally run or funded health programs have been instrumental in eradicating polio, significantly reducing the morbidity and mortality rates for HIV/AIDS, malaria and tuberculosis, expanding critical immunization for children across the country, and otherwise improving public health conditions.

While much of this has been achieved independent of the government, international engagement has induced the government to recognize serious social issues such as poverty, HIV/AIDS, and forced labor and to change its policies in these and other areas. International aid organizations, through their mere presence, are also helping protect local communities from exploitation and the arbitrary exercise of power by local authorities that otherwise characterizes governance in Burma (even though they have had less impact in this regard at the national level).

International aid organizations are employing and training several thousand Burmese staff that through their work are exposed to modern management styles and techniques otherwise little used in the country. The experience of participating in

organizations that are entrepreneurial and results-oriented, in which performance and talents determine promotion and authority, for example, is real capacity building.

Likewise, the growth and empowerment of civil society evident over the past decade is closely associated with the growth of aid programs. These programs are helping communities work together for common development purposes, and are increasing citizens' participation and empowering local communities.

Finally, aid programs are providing rare opportunities for dialogue with government officials at different levels, helping change attitudes in the process. Successful cooperation, even in limited areas, is helping develop some level of personal trust and may gradually help realign broader relations and build a framework within which wider change becomes possible.

The sum total of these impacts has been lessened by donors' self-imposed restrictions on aid, which seeks to minimize contacts with the government and limit programs to strictly humanitarian activities. Unlike sanctions and isolation, however, aid and associated engagement are having clear beneficial effects, which are greatly appreciated by many Burmese.

4. Humanitarian space has significantly expanded (and continues to do so despite frequent temporary setbacks).

Despite onerous formal regulations and restrictions, aid organizations today reach nearly all parts of the country and generally operate independently at the project level.

While aid organizations in the 1990s had great difficulties accessing areas outside central Burma, they are today active in all regions of the country with the exception of armed conflict-affected areas along the Burma-Thai border, which can be reached only by local groups or cross-border programs. Aid organizations' ability to address sensitive issues such as HIV/AIDS and community development has also greatly improved.

Although the government tries to control aid activities in numerous ways, such control tend to be quite superficial. Formal regulations frequently remain on paper. In any case, limited administrative capacity, coupled with a high degree of de facto decentralization of day-to-day governance, means that control often dissipates at the local level (although with variations across areas). Some ministers and local commanders have actively sought international assistance to help address social

problems in their areas of responsibility and have been willing to bypass existing regulations when required.

Most aid organisations have become adept at working in this fluid space, which often is visible only from the ground, and in the process are gradually pushing the boundaries outward. They are hampered in this respect, however, by donor restrictions. Moreover, broader Western policies negatively affect aid cooperation and humanitarian space by heightening suspicions within the Burmese government of donor intentions and the agenda of international aid organisations.

5. Current aid provides few benefits for the government.

Contrary to some reports by external political groups, neither manipulation of aid for political purposes nor corruption appears to be a major problem for organizations that remain vigilant. Most UN agencies and INGOs, as noted, operate quite independently at the community level and are in control of where their aid goes.

While the government has tried to claim credit for international aid, such efforts are usually low-key. Similarly, although there have been localized attempts to co-opt aid activities and direct them toward loyal groups or the home towns of senior officials, there is no systematic policy of excluding NLD supporters or ethnic or religious minorities from aid (except in connection with counterinsurgency efforts in armed conflict-affected areas).

Burma suffers from pervasive corruption in all areas of economic activity. Yet, most aid officials agree it is no more of a problem for aid projects than it is in scores of other developing countries, and is less severe than in some. It is mainly of a petty nature, involving pilfering by local officials rather than systematic diversion of resources into the state.

This is not to say that the government derives no benefits from foreign aid. But claims that aid shores up the military regime and delays democracy are grossly exaggerated. Moreover, any political costs must be weighed against the very substantial humanitarian and other benefits.

Outlook

Humanitarian space has fluctuated significantly over the years and even from month to month. The rise to influence of a group of more internationally-oriented senior officials in the early 2000s spurred a period of extraordinary expansion, which came to

a halt – and to some extent was reversed – when many of them were purged in 2004. Still, the long-term trend is clearly upward and new, less insular leaders are now emerging again. The response to Cyclone Nargis in 2008 constituted a major quantitative and qualitative jump in cooperation, even though it has yet to translate into noticeably better operating conditions elsewhere in the country.

It is possible that the lead up to the 2010 elections could see a temporary attempt by the government to rein in the activities of foreigners whose presence some officials still see as essentially subversive. On the other hand, there have been some signs recently that the authorities are taking steps to appear more in line with international standards of governance, including by stepping up cooperation with international organizations.

The institutional changes, which are set to take effect after the elections, are likely to offer new opportunities for aid. Although the new constitution is lacking in democratic content, the formation of a bicameral parliament and civilianization of non-security ministries may give technocrats more of a role in policymaking. Similarly, the introduction of local parliaments and administrations may bring some decisions closer to local communities. Even if the structural changes disappoint, a new government will likely want to prove itself by undertaking certain reforms.

Conclusion and Recommendations

Aid alone, of course, will not bring development, let alone peace and democracy, to Burma. But it has already helped change the country in important ways – and with a generational and institutional transition underway, there may be a chance to support wider change.

More funding for a wider variety of programs could save further tens of thousands of lives every year. It could also be used to creatively support the struggle by the “new opposition” to improve governance by fostering capacity among new civilian lawmakers and the civil service, as well as in civil society, at both the national and local levels.

The U.S. government therefore should consider the following four steps:

1) *Increase funding for successful existing programs.* While working to expand humanitarian space, we should not overlook the fact that the existing space remains hugely underutilized due to funding shortfalls. Hardly a single program, even in core

humanitarian areas such as the provision of antivirals to people suffering from HIV/AIDS, is sufficiently funded.

2) *Establish a substantial bilateral aid program in Burma, supported by an in-country USAID office.* Although it is possible to support a scaling up of health, education and, to a lesser extent, livelihood programs through existing multilateral funds, a bilateral program would have the advantage of strengthening dialogue and American presence on the ground, as well as facilitating more imaginative projects that “push the envelope.” Given the Burmese leadership’s interest in improving relations with the United States, it may paradoxically be more cooperative with the United States than with other donors (provided that cooperation is not conditioned on macro-political reform).

3) *Modify existing sanctions to facilitate enhanced communication with the Burmese government and civil society and limit the negative impact on the livelihoods of ordinary people.* It would be beneficial to establish a regular, high-level dialogue with the new government to be able to discuss U.S. concerns and policies in private. Economic restrictions on primarily privately owned labor-intensive industries – notably in garments, agriculture, fishery and tourism – should be removed and Western companies be actively encouraged to trade and invest in these sectors to expand job opportunities, boost incomes, and introduce improved business practices in Burma’s underdeveloped economy. Movement in this direction – while it would have independent value and should not be conditional on Burmese government behavior – would also further encourage the military leadership to cooperate with new, progressive aid programs.

4) *Withdraw opposition to engagement by the international financial institutions and support the restoration of normal mandates for other agencies, notably the UNDP and the ILO.* The aid structure in Burma today is ill-suited to do much of what is needed beyond traditional humanitarian assistance. While budgetary support or other large-scale lending to the government would be premature, policy dialogue and technical assistance should be expanded. By allowing re-engagement by the major development agencies, the United States would also send an important signal to the new government that it is ready to turn a new leaf if genuine governance reforms are forthcoming.

With these four steps, the United States could move beyond its largely symbolic support for democracy and substantially increase its practical contribution to the broader human rights of the Burmese people. It would also increase American influence in a

geo-strategically important country that is increasingly dominated by China, facilitate further cooperation with the Burmese authorities in areas of national interest such as drugs eradication, and potentially improve cooperation with regional countries on Burma.