




Australia – Myanmar Aid Program Strategy (2012–14)



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1 Summary

Myanmar is undergoing a period of ambitious reform that is unprecedented in its recent history; the potential for a prosperous country is greater now than at any time in the last 50 years. The scope and scale of these reforms presents a unique opportunity for Australia to support Myanmar's transition to democracy and secure sustainable improvements in the lives of its people.

Reconnecting Myanmar to the international community and supporting it to become a democratic, peaceful and thriving country are in Australia's national interest. While there have been many positive developments, Myanmar remains one of the poorest countries in South East Asia and has some of the lowest social development indicators in the region. In recent years, however, Myanmar has received less aid per person than any of the other 50 poorest countries in the world, due to its diplomatic isolation.

In recognition of the pace of change, Australia's aid program will remain flexible and responsive to emerging opportunities to support the country's reform agenda. Australia will support Myanmar to grow its economy, strengthen the rule of law and develop effective democratic institutions. Australia will also support the ongoing peace process and look for ways to extend the reach of our assistance to communities in Myanmar which have been isolated from essential services, to help them enjoy the benefits of peace. We will maintain our support for the thousands of refugees living in Thailand and ensure it is appropriate for those who wish to return to Myanmar as the peace process allows.

The purpose of Australian aid to Myanmar is to help people overcome poverty by focusing on four objectives:

1. improving the delivery of basic education and health services to the poor
2. improving the livelihoods of the rural poor
3. addressing the needs of conflict and disaster-affected people
4. supporting reform and improved governance.

Over the two-year period of this interim *Australia – Myanmar Aid Program Strategy (2012–14)*, Australia will review these objectives, our programs and those of other development partners to ensure our assistance is provided where it will be most effective. As more donors arrive in Myanmar and existing donors grow their programs, we will actively manage the increased risks of duplication of effort, program fragmentation and wasted funding.

The aid program will continue to provide basic education and health services, and improve livelihoods, but this will increasingly be done in cooperation with local institutions. By working more closely with Myanmar Government agencies to embed reforms in their work, Australia will ensure the benefits of our aid are sustainable and reinforce the principles of democratic and responsible government.

Consistent with the *Comprehensive Aid Policy Framework to 2015–16*, Australia's aid to Myanmar is expected to grow significantly over the coming years. Our existing programs, delivered in partnership with other donors and multilateral organisations, provide a strong foundation for this growth.

In accordance with the principle of mutual accountability for the effectiveness of our programs, Australia and Myanmar will sign a Memorandum of Understanding on Development Cooperation in 2013. The memorandum will outline the responsibilities of the respective governments for delivery of the aid program and allow for discussions between senior officials on development results and strategic direction. If the path of reform is maintained, it is anticipated that the next Australia – Myanmar Aid Program Strategy will closely align with the Myanmar Government's own national development plans, which are currently being finalised.

2 Development partnership principles

2.1 Principles and commitments

The purpose of Australian aid is to help people overcome poverty. This also serves Australia's national interests by promoting stability and security, both in our region and beyond. Globally, our aid program is guided by five strategic goals: to save lives, promote opportunities for all, build sustainable economic development, build and support effective governance, and respond effectively to humanitarian crises and natural disasters. We focus our efforts in areas where Australia can make a difference and where our resources can most effectively and efficiently be deployed. Australia's aid program in Myanmar realises this by supporting reform, delivering essential education and health services, and improving the livelihoods of those most in need.

Myanmar is undergoing a transformation unprecedented in its recent history, with greater reform gains being made now than at any time in the last 50 years. This *Australia – Myanmar Aid Program Strategy (2012–14)* reflects the pace of change in Myanmar. Its two-year timeframe will allow time for Australia to assess the impacts of reform and the work of other development partners, and to reshape our aid program accordingly. The strategy maintains our support for the critical needs of Myanmar's people, while giving scope to work increasingly with Myanmar Government agencies to support their capacity.

Ownership of the development agenda

Aid programs are more sustainable when owned and driven by partner countries. Australia is committed to aligning with the priorities and policies of our partner governments and to providing assistance through their systems where we consider them to be suitable. Where they are not, we work with partner governments to strengthen them and with civil society and multilateral organisations to ensure strong country partnerships. This is particularly important in conflict-affected countries such as Myanmar. Delivering an effective aid program requires donors to take calculated risks. We take a sensible approach to risk management to guard against issues such as fraud, while delivering assistance to those who most need it.

In the immediate future Australia will continue to deliver assistance to Myanmar through multilateral organisations, international non-government organisations and local partners. Changes in Myanmar are, however, providing opportunities for donors to work more closely with the government. In recognition of this, the Australian Government and the Myanmar Government will sign a Memorandum of Understanding on Development Cooperation in 2013. This will be an important first step in supporting a greater level of Myanmar ownership of the development agenda. Australia will seek to increase the level of Myanmar Government involvement in policy development and, over time, our support for government agencies to deliver services directly.

Aid effectiveness

This program strategy is guided by the Australian Government's aid policy, *An Effective Aid Program for Australia: Making a real difference—Delivering real results*, which sets the strategic direction of our aid program through to 2015–16. To give effect to this policy the Australian Government prepared a Comprehensive Aid Policy Framework outlining the resources and headline results to be delivered by

2015–16 and setting new standards for the efficient and effective delivery of Australian aid. We are committed to ensuring strong performance and results of Australian aid to Myanmar, as part of the overall effectiveness and impact of our aid program.

Accountability

To deliver our program we work through partnerships built on accountability to our respective citizens, organisations and constituents. Our partnerships are inclusive of women and men, vulnerable populations and people with disability. We are committed to being more transparent about financial and operational information, results and performance. We advocate for greater transparency of all development partners to better measure and report on the impact of development efforts, foster accountability and promote greater coordination.

2.2 Joint focus on results

A Memorandum of Understanding between Australia and Myanmar on development cooperation will not only provide us with better access to key policy makers, it will aim to introduce a new level of shared accountability for development results. This will be an important contribution to the principle of responsible government in a nascent democracy.

Under the memorandum, Australian and Myanmar senior officials will periodically review the results of this program strategy. The program will be subject to Annual Program Performance Reviews, guided by an abridged performance assessment framework (see 5.2), which will be shared with the Myanmar Government and published on the Australian Agency for International Development's (AusAID) website.

The focus on shared results will be most apparent in our education and health programs, through cooperation with the ministries responsible for service delivery that have the best capacity and have made the most progress in planning. In education, for example, Australia will work with the Ministry of Education and other donors to undertake a comprehensive assessment of the sector. The resulting sector-wide national education plan will guide the activities of all donors and implementing agencies, and ensure they work towards common objectives.

A stronger partnership is intended to enable Myanmar and Australia to jointly determine development priorities, ensuring that our support is embedded into the reform plans of Myanmar Government agencies. Ideally this process will include other donors and multilateral organisations, similar to the approach to be adopted in education. Where other partners are not included, Australia will apply principles of good donor coordination to ensure our assistance does not duplicate or conflict with other programs.

If reform in Myanmar continues on the current path, Australia will be in a good position to further strengthen our partnership with the Myanmar Government beyond 2014. This could include elements such as a joint Australia – Myanmar program strategy and a shared performance assessment framework. Any setbacks to the reform process will be responded to according to their significance and the risk they present to the effectiveness of our aid.

3 Context and rationale for Australian aid in Myanmar

3.1 Poverty and need

Myanmar is one of the poorest countries in South East Asia and has among the lowest social development indicators in the region. Though basic economic and social data is often unavailable or unreliable, around one-quarter of Myanmar's estimated 62 million people live in poverty, with this figure rising to 73 per cent in some minority ethnic areas.¹ Myanmar ranks 149 out of 187 countries on the United Nations' Human Development Index and will not meet key Millennium Development Goals. Gross domestic product per capita is estimated at US\$1 535, around half that of Timor-Leste.²

About 10 per cent of Myanmar's population does not have regular access to enough food to meet dietary needs.³ Almost 70 per cent are subsistence-level farmers and agriculture accounts for 50 per cent of gross domestic product. Conditions for most of Myanmar's city dwellers also remain dire, with most spending close to 70 per cent of their income on food.⁴ Due to entrenched inequalities, women are less likely to have access to sufficient food than men. Vulnerability to climate change and extreme weather events exacerbate Myanmar's development challenges.

Low investment in basic services

In 2011, public investment in health and education in Myanmar was the lowest in the world, at less than 1 per cent of gross domestic product.⁵ Health outcomes are among the worst in the region with large numbers of people dying from easily preventable illness and disease. Women and children bear the brunt of poor health services. Around one in 14 children dies before the age of five and the United Nations estimates that 2400 pregnant women die annually of largely preventable causes.⁶ Health systems are ill-equipped and underfunded to address the public health emergencies arising from major communicable diseases such as HIV/AIDS, malaria and tuberculosis.

Low public investment has denied a quality basic education to most of Myanmar's 18 million children. As a result, the current generation of children will be less well educated than their parents. Underfunding translates into inadequate infrastructure, low wages, poor training and lack of equipment. While enrolment rates are reportedly high, student retention rates are low. Only 54 per cent of children in Myanmar complete primary school, which is rarely adequate to impart basic literacy and numeracy skills, and only 57 per cent of teachers are properly qualified.⁷ Myanmar is unlikely to meet Millennium

1 United Nations Development Programme (UNDP) and Myanmar Government, Integrated Household Living Conditions Assessment, 2010 (poverty figures are based on consumption expenditure, adjusted for factors such as differences in family composition and regional variations in food prices).

2 UNDP, Human Development Report, 2011.

3 World Food Programme and Food and Agriculture Organization, Crop and Food Security Assessment Mission, 2009.

4 Livelihoods and Food Security Trust Fund, Mid-Term Review, 2009.

5 UNDP, Human Development Report, 2011.

6 United Nations Children's Fund (UNICEF), Country Profile: Myanmar — Maternal, Newborn and Child Survival, 2010.

7 UNICEF, Myanmar Multiple Indicator Cluster Survey Data 2009–10, 2010.

Development Goal 2, achieving universal primary education. Civil conflict and associated sensitivities around the language of instruction also impede access to schools for many ethnic minority children.

Governance

Continued political and economic reform provides strong justification for Australia to work more closely with the Myanmar Government in pursuit of shared development goals. These changes highlight the importance of building the capacity of the government to help it deliver on its commitments and address the needs of its people. Myanmar ranks 180 out of 182 countries on the Transparency International 2011 Corruption Perceptions Index. Officially, the Myanmar Government raises revenue of around 6 per cent of gross domestic product, the lowest level in the world. International sanctions have long limited trade and investment in Myanmar, and the current influx has the potential to overwhelm the government's economic management and regulatory systems. Myanmar is, however, taking its first steps towards reforming its opaque financial management systems. In 2012, for the first time, the Parliament of Myanmar debated the government budget for 2012–13, an important step towards transparent public spending and more robust democratic processes.

Civil conflict

Ethnically-driven civil conflict has been ongoing for 60 years, severely undermining development. Sustained effort and investment will be required for Myanmar to develop the institutional capacity to effectively implement policies nationwide. Ethnic minorities make up an estimated 32 per cent of the population and face unequal access to basic services. While the Myanmar Government has negotiated several ceasefire agreements, a comprehensive peace process is only just emerging.

Civil conflict has also led to widespread displacement and statelessness. Approximately 140 000 Myanmar refugees are in Thailand, more than 200 000 in Bangladesh and more than 80 000 in Malaysia. More than 500 000 internally displaced persons live in Myanmar. The majority of the Muslim Rohingya ethnic minority are not citizens, excluding them from basic services and leaving around 800 000 people stateless.

Vulnerability to natural disasters

Myanmar is prone to natural disasters. Between 1980 and 2009 the country had one of the highest death tolls due to natural disasters in the region. On average, disasters affected more than 125 000 people and cost around US\$140 million per year in Myanmar between 1980 and 2010. More than 140 000 people died and 2.4 million people were severely affected by Cyclone Nargis in 2008. Women were disproportionately affected by the devastation of Nargis, with more women than men dying as a result of the cyclone.

Isolation

Despite the needs of its people, in recent years Myanmar has received less aid per person than any of the other 50 poorest countries in the world due to its political isolation. In 2011, the Organisation for Economic Cooperation and Development reported that Myanmar received around US\$8 in international development assistance per capita, compared with US\$68 for Laos, US\$49 for Cambodia and US\$39 for Vietnam.

3.2 Australia's national interests

The end of Myanmar's isolation from the international community and the realisation of a democratic, peaceful and prosperous state are in Australia's national interest. Although Myanmar's potential for economic development is high, it will take a long time for the country to recover from decades of

stagnation. With appropriate economic reforms, its resource wealth and young labour force should yield medium to high growth rates. Its geographic location could allow Myanmar to play a central role in regional connectivity between South Asia and South East Asia. Better integrating Myanmar into the global economy will open previously untapped trade and economic opportunities as well as partnerships with Australia and others.

Myanmar's membership in the Association of South East Asian Nations (ASEAN) and its chairmanship of ASEAN in 2014 provides an opportunity for the country to participate more fully in the regional architecture. Australia has a regional program of assistance to ASEAN members, including Myanmar, to address trans-boundary development issues like HIV/AIDS and people trafficking. Australia has a limited program of cooperation with the Myanmar police, which is focused on counter-narcotics, as well as countering child-sex tourism and trafficking in persons.

The low standard of living of most Myanmar people, particularly those in ethnic areas subject to conflict, makes the country more susceptible to instability. As a major source of refugees and illegal migration, Myanmar is important to Australia's regional efforts to reduce people smuggling and irregular people movement. It is engaged in the Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime, and it is in Australia's interest to continue to develop Myanmar's active participation in this and related regional fora.

Australia's aid to Myanmar supports our national interests by creating the building blocks of a prosperous and open country. Our aid reduces the burden of disease, creates jobs and gives people the education needed to make the most of these opportunities. Our support aims to create a more democratic and inclusive society and reduce instability in Myanmar, increasing the effectiveness of our aid.

3.3 Capacity to make a difference

A sustained decline in capacity, restrictive local and international policies, and ongoing civil conflict mean operating in Myanmar has historically been difficult. Although the capacity of donors to make a difference in this environment has been low, the country is now undergoing a period of historic change.

The Myanmar Government has moved quickly to make progress on many reform benchmarks established by the international community, including the release of political prisoners, free elections and ceasefire agreement to end ethnic conflicts. Positive steps include allowing the National League for Democracy to contest by-elections in April 2012 and take up 43 seats in Myanmar's Parliament, and the release of more than 740 political prisoners.⁸ The Myanmar Government has also signed a number of ceasefire agreements, including one suspending the 63-year conflict with the Karen National Union. Australia can play an important role in helping the Myanmar Government to build on and deepen these reforms.

The Myanmar Government has demonstrated a new openness to international dialogue, hosting a number of diplomatic visits to the country. Australia's Minister for Foreign Affairs was the first Western Foreign Minister to visit Myanmar after the 2010 elections, and another visit was undertaken in June 2012.

In August 2012, the Myanmar Government removed 2082 names from its travel 'blacklist', increasing the freedom of movement for around one-third of the people officially barred from entering or leaving the country.

⁸ Human Rights Watch, September 2012.

Donor environment

Until recently, key development institutions have been absent from Myanmar. Few Western countries have been donors, and many have been restricted in their interventions by domestic policy and legislation. This situation is changing and leading to an increase in the availability of partners, technical expertise and overall levels of aid funding to Myanmar.

In the past, the limited number of donors in Myanmar made for relatively good aid coordination, particularly through the use of pooled funding mechanisms. However, the crowding of donor space could threaten the sustainability and effectiveness of aid. As more donors arrive and existing donors increase the scope and scale of their programs, factors such as poor communication of priorities, or a desire to respond to the Myanmar Government's requests for support outside core programs, increase the risks of duplication of effort, program fragmentation and wasted funding.

The leadership of the Myanmar Government will be essential to good donor coordination, but its limited experience in managing aid and the current absence of clear development plans compromise its ability to fulfil this role. The Myanmar Government is undertaking a comprehensive development planning process, expected to be completed in 2013, which includes plans for the education and health sectors. Once plans are finalised donors should, mindful of prior funding commitments, prepare to align their support to the Myanmar Government's priorities. Australia and other development partners are supporting the Myanmar Government to share the lessons learned on aid coordination from other countries in the region.

The World Bank and Asian Development Bank do not currently provide loans to Myanmar. They are finalising plans to enable Myanmar to clear its outstanding debt arrears, so the country can access much-needed development financing. In advance of this, the development banks are offering grants to address immediate needs as well as providing technical assistance, research and analysis to inform the reform efforts of the Myanmar Government and its development partners.

3.4 Scale and effectiveness

Australia is currently the fourth largest bilateral donor to Myanmar. In 2011–12, Myanmar received \$0.94 per person in Australian aid, compared with \$6.58 for Laos, \$5.13 for Cambodia and \$1.55 for Vietnam. Australian aid has achieved results over the past decade in the areas of health, education, livelihoods and humanitarian assistance.

The second *Myanmar Annual Program Performance Review* was completed in 2012 with program objectives rated as partially achieved, in part reflecting the difficult working environment in-country. Ratings for gender equality were mixed and concerted effort is being made to ensure the benefits of Australian aid are felt equitably. To inform this AusAID undertook a gender stocktake of the program in early 2012.

Australia's Comprehensive Aid Policy Framework to 2015–16 notes that Myanmar would benefit from a substantial increase in aid given its high levels of poverty, low volume of aid and recent reform efforts. Accordingly, the program is expected to grow significantly over the coming years. Our existing programs, delivered in partnership with other donors and multilateral organisations, provide a strong foundation for this growth.

The knowledge, experience, relationships and credibility Australia has developed in Myanmar give us a comparative advantage in growing our aid program. Likewise, other development partners have their own sectors of comparative advantage, for example the World Bank in economic reform and the United Nations Development Programme in democratic governance. Australia will support these partners in their engagement and exercise good donor discipline to reduce program fragmentation, as well as minimise program administration costs and the burden on the Myanmar Government and other partners. Similarly

we will encourage new entrants to development cooperation in Myanmar to use existing delivery mechanisms, for example multi-donor trust funds or established fora for aid coordination, to reduce the risk of duplication of effort.

As reform in Myanmar progresses and opportunities for new initiatives are identified, including through direct requests for support from reformers, tensions will arise between maintaining the focus of our program and responding to new needs and the work of other development partners. This interim aid program strategy is for two years, allowing Australia to critically review its program and the development context in Myanmar, and prepare to shift our support or the way it is delivered under a subsequent, longer-term strategy.

4 Strategic priorities for Australian aid

4.1 Proposed focus areas, expected outcomes and Australia's contribution

From 2012 to 2014 Australia's aid program in Myanmar will focus on four objectives:

1. supporting reform and improved governance
2. improving the delivery of basic education and health services to the poor
3. addressing the needs of conflict and disaster-affected people
4. improving the livelihoods of the rural poor.

These objectives have been chosen because they address the most pressing needs of the people of Myanmar, build on established Australian programs and relationships, and support the reform efforts of the Myanmar Government.

Improvements in service delivery will entail expanding the reach of our existing education and health programs and the quality of services. Australia will support livelihoods by improving income opportunities and agricultural productivity, the means by which most poor people in Myanmar secure the necessities of life. Conflict and disaster-affected people include those who are beyond the reach of programs delivering basic services, including refugees outside Myanmar's borders.

Supporting reform and improved governance

The ongoing reforms in Myanmar represent an unprecedented opportunity to secure a lasting peace and improve the lives of millions of people. The fast pace of change requires that this interim aid program strategy be flexible enough to respond to new opportunities, while working to extend the reach and quality of essential services.

Support for reform will entail increased focus on building the capacity of Myanmar institutions to develop policies and deliver services, to ensure that improvements are sustainable and reforms are embedded. It will also include initiatives that help maintain a positive reform path in Myanmar, including activities that strengthen the peace process, democratisation and good governance.

As Myanmar's reforms progress there is likely to be increased opportunity and demand for development partners to support improvements in democratic and economic governance. Although Australia will not have a large program focused on strengthening governance in Myanmar, we will pursue opportunities that make a valuable contribution to the reform agenda. We will support efficient and high-impact activities that help sustain the momentum of reform, ensuring they align with the programs of our development partners.

Through our core programs we will continue to improve governance within the education, health and livelihoods sectors. Support for delivering better services is a key priority of the Australian aid program's global governance strategy. Crucial to building the Myanmar Government's capacity to take a greater role in service delivery will be improving its internal financial management systems. Australia's support for joint analytical programs, including a World Bank-led public expenditure review, will complement our advocacy for increased government spending in service delivery. It is important that increased trade,

investment and economic growth deliver improved opportunities for the people of Myanmar and complement our aid to ensure it has a lasting impact.

Through our global programs, Australia partners with non-government organisations, research institutions and multilateral organisations to strengthen democratic institutions and electoral processes, strengthen the voice of civil society and promote human rights. We will include Myanmar in these programs, improving access to international expertise to develop and strengthen functional democratic systems. We will also support civil society strengthening in-country, to help ensure engagement with the Myanmar Government is balanced by strengthening the capacity of people to hold it to account.

Improving the delivery of basic education and health services to the poor

Australia's aid program in Myanmar will maintain its focus on education and health, where needs are most critical. Over the next two years, we will provide immediate and tangible support to the people of Myanmar in these sectors, to help sustain the momentum of reform and ensure it benefits those in need.

These priority sectors reflect two of the five strategic goals of Helping the World's Poor through Effective Aid: Australia's Comprehensive Aid Policy Framework to 2015–16:

- promoting opportunities for all—by giving more children access to quality basic education
- saving lives—by improving maternal and child health and combatting communicable diseases.

Education is the flagship of Australia's aid program to Myanmar, recognising the importance of the sector in improving human capital in-country, as well as Australia's technical expertise and experience in delivering basic education programs in Myanmar and in South East Asia. Our support for primary education in Myanmar contributes to Millennium Development Goal 2, to achieve universal primary education by 2015.

Consistent with the level of our investment in education, Australia has positioned itself to undertake a donor coordination role in this sector, to ensure the efforts of all donors and the Myanmar Government are aligned towards shared objectives. The support of Australia and other development partners for the Myanmar Government's comprehensive review of its education sector provides the foundation for this collaborative approach.

Australia will work in the formal education sector to improve the access to and quality of primary education. We participate in a multi-donor education program that will increase the number of children accessing and completing formal pre-primary and primary education. This program also includes a capacity-building plan for teachers and local education administrators, which is necessary for sustainable improvements. To improve the reach and quality of education in Myanmar the program will also support monastic and ethnic school systems and local education organisations, through a consortium of Australian non-government organisations.

Australia will ensure its support reaches the most marginalised children in Myanmar, including ethnic minorities, people with disability and those outside the formal system. We will also support a major school feeding program, implemented through the World Food Programme, to improve nutrition and attendance rates.

Australia will continue to expand the Australia Awards program, from 10 scholarships in 2011 to 50 scholarships by 2015. We will encourage the participation of government institutions and ministries key to our development program, including those in education, health, agriculture, social welfare and planning.

Results in 2012–14 will include: providing 172 000 children access to early childhood education; training 19 500 teachers in child-centred learning techniques; providing essential school supplies to

632 000 children; and feeding more than 500 000 children from poor and remote areas as an incentive to attend school.

Health is a priority for Australia's aid program to Myanmar and we are one of the largest and most influential donors to the sector in terms of aid investments, donor coordination and policy dialogue. Our support to Myanmar's health sector will address Millennium Development Goals 4, 5 and 6, aimed at: reducing child mortality; improving maternal health; and combatting HIV/AIDS, malaria and other major diseases.

In recognition of high rates of maternal and child mortality, Australia will save lives by focusing our support on delivering essential maternal, newborn and child health services and strengthening national capacity in health service delivery.

Australia's support to the health sector will also continue to provide support to address HIV/AIDS, tuberculosis, malaria and trans-boundary issues such as emerging drug resistant malaria. Myanmar accounts for 75 per cent of malaria cases and deaths in the Mekong Region and is recognised as the highest priority country in the region for the containment of drug-resistant malaria.

Myanmar's Ministry of Health has traditionally been one of the government agencies most open to reform. Australia will support complementary health system strengthening at central and decentralised levels to help develop a more effective and responsive health system. Capacity building and joint policy development will help establish the plans necessary to sustainably improve health outcomes.

The support of Australia and other donors to the health sector in Myanmar over the next four years is expected to save the lives of approximately 25 000 children and 3000 mothers. Other anticipated results over this period include: an additional 46 000 births attended by a skilled health professional; 30 000 women receiving full antenatal care; 95 000 children receiving vital immunisations; and 34 000 infants being exclusively breastfed, a proven way to increase child survival rates in the first six months of life. Interim targets for the period of this strategy will be developed in early 2013.

Addressing the needs of conflict and disaster-affected people

In recognition of ongoing conflict and displacement, as well as the country's vulnerability to natural hazards such as cyclones and earthquakes, humanitarian assistance will continue to be an important part of Australia's aid program to Myanmar. We are well-placed to provide humanitarian assistance given our substantial experience working in-country, as well as in other fragile and conflict-affected states.

Australia will continue to support refugees from Myanmar in camps on the Thailand – Myanmar border but with increased focus on supporting these communities to prepare for eventual return. If ceasefire agreements in Myanmar prove durable, we will support the safe return of displaced people through the aid program. Progress on ethnic issues could lead to a substantial influx of people into currently under-served areas outside the reach of Myanmar Government agencies.

Humanitarian support in ethnic areas will also help to ensure Australia's aid program is conflict sensitive and that future development gains are felt across the country. Until reconciliation is achieved, and there is an agreed means of managing power in contested areas, humanitarian assistance will continue to be needed in these areas. It will be critical to support early development gains in ethnic areas to build momentum for stable and lasting peace.

Improving the livelihoods of the rural poor

Given the importance of agriculture to the Myanmar economy, Australia will continue to support agricultural development and livelihoods programs. These activities will yield improved nutrition and food security outcomes, while assisting broader sustainable economic development by increasing employment, raising incomes and helping households build a buffer to external shocks, including natural disasters.

Livelihoods is a priority for the Myanmar Government, opposition parties and ethnic groups and is an area where tangible benefits can quickly flow to the poor. Support for livelihoods and agriculture will address Millennium Development Goal 1, to eradicate extreme hunger and poverty.

Australia will continue to support programs that help to increase food availability, income-generation opportunities and food use for the Myanmar people through, for example, providing training and agricultural inputs to farmers. Further, microfinance activities focused on women will provide access to credit for more poor and vulnerable households. We will continue to work with partners to encourage the adoption of new agricultural technologies and build the technical capacity of the Myanmar Government.

Results in 2012–14 will include: supporting 33 000 households to access capital to improve their income; providing 6000 households access to microfinances services; providing training to 390 community-based organisations to undertake livelihoods activities; and increasing the food production and incomes of farmers and rural households in the central dry zone and Irrawaddy Delta by up to 50 per cent.

4.2 Program approaches and ways of working

While Australia's existing aid program to Myanmar provides a strong foundation for the future, it is likely the pace of reform will open new opportunities to work more closely with the government and will require new programs and approaches. This iteration of the aid program strategy for Myanmar is for a shorter period than usual, reflecting the fact that the development context in-country may be very different by 2014.

Australia's level of engagement with the Myanmar Government on development issues will expand over the next two years. Closer engagement, including through the formalised Memorandum of Understanding, will clarify Australia's and Myanmar's expectations for the relationship, and articulate our obligations to each other. Over time, as the development priorities and policies of the Myanmar Government and the focus of new donor programs become apparent, we will reassess our key sectors to ensure we are targeting the most appropriate areas of need.

Closer bilateral engagement between governments will facilitate policy dialogue and advocacy with senior levels in Myanmar Government ministries. This is essential to ensure appropriate Myanmar Government investments in services that meet the critical needs of its people. Unless donors are able to support Myanmar Government policies based on solid evidence, including its own budget allocations, the positive outcomes of development assistance cannot be sustained.

Other countries in the region have been through reform processes similar to Myanmar and would be able to share relevant knowledge and experience. Australia will facilitate cooperation between the institutions in Myanmar and in third countries with which we have development cooperation partnerships, to promote the sharing of lessons learned and demonstrate the benefits of reform.

Engagement by international financial institutions, such as the World Bank and the Asian Development Bank, will be critical if the international community is to mobilise large-scale financing to support Myanmar's development. Australia will continue to support these institutions with their engagement in-country.

The response to Cyclone Nargis catalysed an unprecedented expansion of civil society activities into service delivery and humanitarian response. In the current context, Myanmar civil society is increasingly expanding its role to include advocacy and improving the accountability of the Myanmar Government.

Civil society organisations are important and long-standing partners for Australia's aid program to Myanmar, with around 35 per cent of our assistance delivered through Australian and international non-government organisations and their Myanmar partners in 2011. These organisations will continue to

be critical to meeting development needs, particularly those beyond the reach of government services. The *AusAID Civil Society Engagement Framework* lays out the principles that guide the Agency's work with civil society organisations, in Myanmar and Australia.

Many multi-donor programs Australia funds in Myanmar include grant schemes available to local organisations. Australian organisations also have access to a wider range of development grant schemes that promote human rights and help provide Australian expertise through partnerships with Myanmar Government institutions and international seminars.

As reforms progress in Myanmar, and particularly as ethnic groups work towards peace, Australia will look to civil society organisations that are recognised and trusted by minority groups as key partners in development.

Gender equality and women's empowerment is an overarching principle of our aid program. A recently conducted gender stocktake identified areas where Australian assistance could better support the advancement of women in Myanmar as our aid program increases in size and scope. The information gathered through the stocktake will be used to ensure activities maintain a clear focus on women's empowerment and equality. We will continue to cooperate with multilateral and non-government partners in joint analytical activities to ensure our programs benefit men and women equally.

5 Program performance and risk management

5.1 What success will look like at the end of the strategy

The success of Australia's aid program in Myanmar in 2012–14 will be measured by the achievements made against these four objectives:

1. **Supporting reform and improved governance:** The Myanmar Government's ability to develop economic and social policy and deliver services will have improved. The evidence base required for good policy and programs will have improved. Activities to sustain the momentum of the Myanmar Government's reform agenda will have been delivered.
2. **Improving the delivery of basic education and health services to the poor:** Access to early childhood education; distribution of essential learning kits, including textbooks; school enrolment rate and retention rate to grade five; and number of teachers trained in child-centred learning techniques all will have increased. Reading comprehension and numeracy rates will have improved. Accessibility, availability and use of essential maternal and child health services will have improved. Incidence and prevalence levels and the burden of disease will have reduced. Public capacity for health service delivery to the poorest and most vulnerable populations will have improved.
3. **Addressing the needs of conflict and disaster-affected people:** Myanmar people affected by conflict and natural disasters or beyond the reach of government services will have received support.
4. **Improving the livelihoods of the rural poor:** Access to capital and microfinance services to increase household incomes will have improved. Capacity of community-based organisations to undertake activities that increase food production will have improved.

Meeting the first objective will depend on the Myanmar Government maintaining its current reform path and good development practice and coordination by its partners. Nonetheless, given reforms to date, Australia should aim by the end of the strategy period to include official representation in the governance of our programs and have ongoing high-level policy dialogue with government agencies.

5.2 Performance assessment framework

The Memorandum of Understanding on Development Cooperation between the governments of Australia and Myanmar commits both countries to regular consultations to consider the effectiveness and impact of development assistance. The following abridged performance assessment framework provides the objectives and associated key indicators, including the Comprehensive Aid Program Framework indicators, which the Myanmar Program will report against. Sources for data on the targets will include multilateral organisations, development partners and Myanmar Government statistics, as appropriate.

The results of Australia's aid program in Myanmar will be reviewed and reported on in an Annual Program Performance Review. The resulting report will be drafted by Australia with input from development partners and made available on AusAID's website.

Objective: Supporting reform and improved governance	
Indicator	Target by 2014
Australia – Myanmar Memorandum of Understanding on Development Cooperation signed	Established by mid-2013
Australia and Myanmar senior officials discuss development planning	Established in 2013
Number of Australian funded initiatives >\$3 million per year in value with Myanmar representation in the governance arrangements	100%
Number of activities delivered in response to request for support for Myanmar's reform agenda	50%

Objective: Improving the delivery of basic education and health services to the poor	
Improved basic education	
Indicator	Target by 2014
Additional number of children receiving early childhood education*	172 000
Additional number of teachers trained in child-centred learning techniques*	19 500
Additional number of kits containing essential school supplies distributed*	846 000
Additional number of children receiving school feeding	>500 000
Improved health	
Indicator	Target by 2014†
Additional number of children receiving vital immunisations*	To be determined
Additional number of births attended by a skilled health professional*	To be determined
Additional number of people with increased knowledge of hygiene practices*	To be determined
Additional number of public servants trained*	To be determined
Additional number of civil society organisations supported to track service provision*	To be determined

†Health-related targets for the period of the strategy will be developed in 2013.

Objective: Addressing the needs of conflict and disaster-affected people	
Indicator	Target by 2014
Number of activities delivered in support of the peace process	To be determined
Number of conflict or disaster-affected people in Myanmar receiving services	To be determined
Number of refugees in Thailand receiving assistance*	To be determined
Number of responses to requests for humanitarian assistance from the Myanmar Government within 48 hours	100%

Objective: Improving the livelihoods of the rural poor	
Indicator	Target by 2014
Additional number of households with access to capital*	33 000
Additional number of household with access to microfinance services*	6000
Additional number of community based organisations trained in livelihoods activities	390
Increase in food production and incomes of farmers and rural households in the central dry zone and Irrawaddy Delta*	50%

*Indicators that directly contribute to the Tier 2 Results outlined in the Results Framework of Australia's Comprehensive Aid Policy Framework.

5.3 Risk management

There are five main risks to the Australian aid program in Myanmar over the next two years.

The influx of donors, along with increased money and programs, undermines coordination and the effectiveness of our aid

As an experienced and significant donor to Myanmar, Australia—in partnership with other major donors—will play a lead role in aid coordination to ensure the Myanmar Government is not overwhelmed by the expected influx of donors to the country. We will build on established relationships and mechanisms for donor coordination, and will advocate for Myanmar leadership on aid coordination where possible. We will advocate for the collaborative development of Myanmar Government plans to ensure that appropriate priorities are widely shared. We will focus our assistance on areas where we have a comparative advantage and encourage development partners to do the same.

The growth in Australia's aid program imposes excessive administrative costs

Managing the growth in Australia's aid program to Myanmar will require not only appropriate staffing and infrastructure, but a disciplined approach to program management. Supporting fewer, larger programs in our key sectors will be central to containing the administrative costs of our aid program to Myanmar, and ensuring the maximum amount of assistance is delivered to those who most need it. While there will be opportunities for new and useful development activities, these must be prioritised to ensure Australia meets its commitments to the people of Myanmar and development partners, and the objectives of the aid program.

Donor support overwhelms local systems

Australia will work to ensure that building the capacity of Myanmar institutions is central to its aid interventions. The Myanmar Government has not been directly involved in the administration of multi-donor development programs to date. However, without Myanmar ownership of the development agenda, benefits from donor programs are likely to be unsustainable. Support for democratisation in Myanmar must include support for government institutions to deliver better services to the people.

Australian aid is diverted due to corruption

Corruption remains a concern due to the lack of capacity for transparent and accountable financial management in Myanmar. These issues are not uncommon in many of the countries in which Australia delivers aid. AusAID has a zero tolerance approach to fraud and corruption in the aid program and takes all possible steps to ensure Australian taxpayer funds are not misused. It is not envisaged that any funds will be provided through Myanmar Government systems in the near term. Any consideration of future support will be informed by the World Bank review of public financial management that Australia is supporting.

The reform agenda stalls or regresses

Australia could use partnerships with the United Nations and non-government organisation partners to return to the model of delivering assistance that has worked in the past, should the reform process stall or regress. A return to this model could equally be considered should there be resumption or escalation of conflict and any resulting displacement. We could deliver services in education, health and agriculture while still supporting capacity building of Myanmar Government systems where possible. Australia has shown we can deliver essential services by working with United Nations and non-government organisation partners with access to those most in need.

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