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Conceptualizing Public Sector Reform in Myanmar

Conceptualizing Public Sector Reform in Myanmar is a joint research effort between The Asia Foundation and the Centre for Economic and Social Development of the Myanmar Development Resource Institute, aimed at explaining how reform of the public sector is an essential part of the transition from a form of authoritarianism to democracy. It sets out some of the issues involved in thinking about public sector reform that could assist in establishing a common platform for dialogue on this important topic. More specifically, we probe the definition of what is meant by 'public sector' in Myanmar, what can be learned from the history of public sector reform going back to the time of General Aung San, what are some of the strengths and weaknesses of the public sector in Myanmar, and what are some options and a potential framework for thinking about reform as effective change. We hope that the research will contribute to the increasing focus in Myanmar on public sector reform by the government, parliament, private sector, civil society, and media, as well as the international development community. The full report can be found on The Asia Foundation's website at www.asiafoundation.org

Myanmar has captured the world's attention with its transition away from authoritarian military rule towards democracy. Since 2011, a series of major reforms have seen the country move from a repressive political system to one that is more concerned with people-centered development; from a state-dominated to a market-oriented economy, from decades of ethnic conflict towards a nationwide ceasefire and political dialogue; and, from regional isolation to re-engagement in global affairs.

This process of political and economic transformation has been accompanied by calls for reform of the public sector in Myanmar from many quarters. Political parties have taken to the streets over constitutional reform; students have marched to demand changes to the National Education Law; farmers have protested for land rights; and urban residents have complained about frequent power outages. Public expectations of government are rising, and demands are more visible now given the greater space for public expression in recent years.

Outspoken criticism of the public sector, however, has also come from some surprising sources. President U Thein Sein and his senior ministers have delivered a series of, at times, blistering speeches calling for a change in the 'mindset' of government officials.

In July 2013, the President delivered an historic speech in London where he set out his government's ambitious reform agenda. "I speak to you at a pivotal moment in the history of Myanmar," he said. "We are aiming for nothing less than a transition from half a century of military rule and authoritarianism to democracy." In meetings with senior government officials in 2014, he continued to emphasize that chronic corruption still plagued the civil service and that civil servants need to transform their thinking and the way they work.

In this context, in 2014, The Asia Foundation and the Centre for Economic and Social Development of the Myanmar Development Resource Institute embarked on a research initiative on public sector reform. The goal was to contribute towards a more informed public dialogue on this subject that is critically important for the country's political and economic transition. In preparing the report, the research team spoke to government officials, parliamentarians, policy

advisors, civil servants, newspaper editors, farmers' and workers' unions, and civil society activists in Yangon and Nay Pyi Taw who generously shared their thoughts with us.

We discovered that much common ground is shared among reform-minded people across the political divides in Myanmar—more, in fact, than polarized party political debates or newspaper articles sometimes suggest. Political trust is, however, a precious commodity, and one of the greatest challenges for the reform process is to restore trust between the state and the public.

Our research provides an explanation of what is meant by the public sector in Myanmar, examines what can be learned from the history of public sector reform going back to the time of General Aung San, considers some strengths and weaknesses of the public sector in Myanmar, and presents some options and a framework for thinking about reform as effective change.

THE PUBLIC SECTOR

When we speak of the public sector in Myanmar, we are referring to the Union Government, the state and region governments, Union territories, and state economic enterprises. The 2008 Constitution of Myanmar sets out three branches of the state: the executive, the legislature, and the judiciary. The focus of our research is on the executive.

Myanmar has the formal attributes of a federal system of government, and the Constitution lists the powers of the Union, and state and region governments. At the moment, however, most powers still remain with the Union government. State and region governments have very limited powers, and these are restricted mainly to matters concerning local infrastructure and local economic activities.

The country's administrative structure is set out in the Constitution. The Union consists of 14 states and regions. States and regions are constitutionally equivalent—with 'state' referring to areas where the ethnic minority communities are generally located, and 'region' referring to areas where the Bamar majority reside. States and regions comprise 4 or 5 districts, on average, with 73 districts in total. Districts comprise 4 or 5 townships, on average, with 330 townships in total. Townships consist of wards in urban areas, and village tracts in rural areas.

The public sector delivers the core functions of government such as economic management, public infrastructure, health, education, and welfare services. It also includes government business enterprises such as the Myanma Oil and Gas Enterprise. In the box below, we list 12 'fast facts' about the public sector today.

In many countries, public sector employees are divided into civil servants and other government employees. Civil servants work for government ministries in public administration. Other government employees include state enterprise workers and sometimes personnel such as teachers, health workers and police. In Myanmar, however, all public sector employees are engaged under the Civil Service Personnel Act.

BOX 1: TWELVE 'FAST FACTS' ABOUT THE PUBLIC SECTOR IN MYANMAR

1. The public sector comprises nearly 1 million employees.
2. The Ministry of Education has the most personnel (38%), followed by the agriculture, forestry, and fisheries ministries (12% total), the Ministry of Home Affairs (11%), and the Ministry of Health (7%).
3. Myanmar's public sector has historically been small compared to other countries in Southeast Asia.
4. Public revenue has recently doubled to 23% of GDP, mainly due to new petroleum revenues.
5. Public spending has also doubled, though health and education still comprise just 5.4% of the budget.
6. Forty-four state economic enterprises account for 7% of GDP, less than the international average of 11%.
7. State economic enterprises generate two-thirds of public revenue.
8. Myanmar's tax-to-GDP ratio, at 3.3 to 7.4%, is one of the lowest in Asia.
9. Myanmar has a federal-style system of government, with Union, state and region governments.
10. Myanmar is one of the more centralized states in Asia, with the Union Government formally transferring just 12% of total public expenditure to the states and regions in 2014.
11. As yet, state and region governments do not have civil services to administer their expenditures.
12. Myanmar does not have an elected third tier of government below the state and region governments, which in some countries is called 'local government'.

REFORM OF THE PUBLIC SECTOR

When we talk about 'public sector reform', we are speaking about activities that drive systemic and sustained improvements in public administration. We focus on the quality and effectiveness of public sector management and institutions, and the appropriate role of the state in society. In the box below, we list some typical reform goals.

BOX 2: PUBLIC SECTOR REFORM GOALS

In many countries around the world, governments have been trying to find ways to make their public sectors more effective. Some typical public sector reform goals are to:

- Sustain public spending
- Improve service delivery
- Increase efficiency and value for money
- Increase transparency and accountability
- Strengthen the strategic management of government
- Decentralize functions to sub-national government
- Improve public sector leadership and management
- Engage citizens
- Improve the corporate governance of state economic enterprises

One of the main expectations that people have of government today is that it improves living standards. When government performance is measured using an outcome indicator such as UNDP's Human Development Index, Myanmar ranks relatively low. When performance is measured using a process indicator such as that of the World Bank's Country Policy and Institutional Assessment (CPIA) which measures the quality of public sector management, Myanmar still ranks below its near neighbors (see Table 1).

TABLE 1: MEASURING GOVERNMENT PERFORMANCE USING OUTCOME AND PROCESS INDICATORS

INDICATOR	MYANMAR	NEIGHBORING COUNTRIES
INCOME UNDP Human Development Index 2014 (Gross national income per capita or GNI;US$ Purchasing Power Parity)	3,998	Thailand 13,364 Vietnam 4,892 Lao PDR 4,351 Cambodia 2,805 Bangladesh 2,713
HUMAN DEVELOPMENT UNDP Human Development Index 2014 (Ranking out of 187 countries)	150	Thailand 89 Vietnam 121 Cambodia 136 Lao PDR 139 Bangladesh 142
QUALITY OF PUBLIC SECTOR MANAGEMENT AND INSTITUTIONS World Bank 2013 Country Policy and Institutional Assessment (Low=1, High=6)	2.7	Vietnam 3.5 Lao PDR 3.1 Bangladesh 2.9 Cambodia 2.8

In Myanmar, the government of President U Thein Sein has already started to reform the public sector. As part of its 'people-centered development' agenda, the government is decentralizing decision making from Nay Pyi Taw to states/regions, districts and townships. Despite the reluctance of some government ministries, township committees have been created, with some members drawn from civil society to ensure greater public voice in decision making.

The government has been successful in reducing the price of mobile phone calls and making mobile phones available to many more people. This was achieved by the government ending the monopoly of the Ministry of Communication and Information Technology and opening the market to two new international telecommunication companies.

The government has also been successful in cutting 'red tape' for business and citizens by streamlining 'business processes' in some ministries. For example, in 2014 the Ministry of Immigration slashed passport issuance time from 21 days to 10 days and cut in half the required fee. This reform is important given the severely restricted freedom of movement in Myanmar for many decades and in opening up opportunities for citizens who want to work or study abroad.

The government would also like to highlight a number of reforms that have not received much public attention, but which are important for improving public administration. These include the Central Bank of Myanmar Act, the new public finance management strategy, the new Finance Commission, the new Anti-Corruption Act, the new Civil Service Personnel Act, and new cabinet processes.

Viewed in the context of Myanmar's transition from authoritarianism to democracy, then the following characteristics of the country's public sector are of particular interest.

- The military rule of more than half of the period between 1948 and 2008 has left a legacy of governing by directives and commands, rather than by public administrative law and institutional practices.

- The 'disciplined-flourishing democracy' established by the Constitution of 2008 assigned control over important ministries such as Defence, Home Affairs, and Border Affairs to the military, rather than to the civilian government.

- The General Administration Department within the Ministry of Home Affairs acts as the 'steel frame' of the government. It plays a key coordinating role in a public administration that is highly fragmented across the ministries.

- The state and region governments have very limited legislative or revenue powers according to Schedules Two and Five of the Constitution. One of the most important questions for future public sector reform

in Myanmar is how best to distribute functions between the Union Government and the state/region governments.

- The budget process at present provides parliament and the public with minimal information about public finances and limited opportunities to influence budgetary outcomes. The budget needs to be restored to its position as the government's most important statement of public policy and accountability.

- Patterns of public expenditure were distorted by a succession of authoritarian governments. Despite the positive changes made by the current government, Myanmar continues to have high military and capital expenditures and low health and education expenditures.

- Low government tax revenue indicates a generalized weakness in state capacity. As indicated above, at just 3.3 to 7.4%, Myanmar has one of the lowest tax-to-GDP ratios in Asia. This suggests a lack of capacity in tax administration and problems with corruption. In some countries it also indicates that citizens lack trust in government.

- The public generally perceives that in the past, civil service recruitment was not merit-based because in many ministries, former military officers occupy almost all senior civil service positions. An inclusive civil service that reflects the diversity of the entire population of Myanmar could help restore public trust.

- The policy function of the civil service is weak. Under the authoritarian governments, policy was formulated by the party during the People's Council era, and by the military after they seized power in 1988. In recent decades, the ministries have not played much role in policy formulation.

- State enterprises would benefit from improved corporate governance. Better management, auditing, and reporting structures would help to make state enterprises and military-controlled holding companies more effective. These improvements would also reduce 'crony capitalism' and other forms of corruption that were rampant under past authoritarian regimes.

- The oil and gas sector has recently become important for Myanmar. Since 2011, due to oil and gas production, public revenue has doubled to about 23% of GDP. Strengthening governance structures in the natural resource sector now could stop oil and gas production from turning into a 'resource curse' that leads to greater inequality and corruption.

By looking at public sector reform in Myanmar from the perspective of transition from an authoritarian to a democratic system, we can see much common ground among reform-minded people across the political spectrum. In the section below, we draw on some of the characteristics of the public sector to set out some options for its reform.

LESSONS FOR PUBLIC SECTOR REFORM

Where should public reform start? This is a challenge for any government when embarking on public sector reform. Myanmar has many urgent reform priorities, which makes the question of where to start even more pressing.

Myanmar has much to learn from other countries' experiences with public sector reform. Some countries in the region, such as South Korea and Indonesia have undergone successful transitions from authoritarianism to democracy, while others such as Malaysia and Singapore have achieved economic and social progress with public administration traditions similar to those of Myanmar.

Technical experts from around the world have useful advice for Myanmar on how to sequence reform. In Myanmar, this advice is included in the Framework for Economic and Social Reform published in 2013. Lessons from the transition of the former 'People's Democracies' of Europe are also relevant because in the 1970s and 1980s, Myanmar modelled its public administration on countries such as East Germany and Czechoslovakia.

We believe very strongly, however, that Myanmar also has much to learn from its own too-often-forgotten history of public sector reform (see Box 3). Myanmar's first Prime Minister, U Nu, led a country attempting a transition from colonial authoritarianism to democracy. The colonial state was highly centralized, obsessed with maintaining order, and spent little on public services. The economy was structured to benefit a minority, and not to distribute wealth more widely.

Myanmar's rich experience of public sector reform can be divided into four eras. After independence, democratic governments were in power from 1948 to 1962, followed by the Revolutionary Council from 1962 to 1974. Then the Burma Socialist Programme Party ruled from 1974 to 1988, followed by the military regime from 1988 to 2011. While there were many changes over these years, there was also much continuity. The Secretariat system of the civil service, for example, was only dismantled in 1972.

BOX 3: LEARNING FROM MYANMAR'S HISTORY OF PUBLIC SECTOR REFORM

Many of the key challenges facing public administration from 1948 to 2011 are still relevant today. How to build effective state institutions? How to decentralize decisions from Nay Pyi Taw to the townships? Which public service responsibilities to delegate to state and region governments? How to manage the corporate governance of state economic enterprises? If we look to Myanmar's history, then we could learn much from the following experiences:

- The civil service Secretariat model with permanent secretaries from 1948 to 1972
- The post-independence state governments from 1948 to 1962
- The State Enterprise Boards from 1948 to 1962
- The decentralization reforms from 1948 to 1988
- The transition from the Public Service Commission to the Union Civil Service Board from 1948 to 2011

One of the most tragic lessons from this history is the terrible toll that 60 years of civil war has taken on Myanmar's society and economy. Myanmar entered the 20th Century as one of the richest societies in Asia; it entered the 21st Century as one of the poorest. Recurring conflict has seriously distorted the public sector in Myanmar and contributed to the rise of authoritarian governments.

For these reasons, we believe that a sustained peace settlement is an essential precondition for a successful transition from authoritarian to democratic forms of public sector governance. It is also true, however, that public sector reform can, in turn, contribute to restoring public trust in government by transforming civil-military relations, as well as relations between the Bamar and the other ethnic and religious groups in the country.

OPTIONS FOR PUBLIC SECTOR REFORM IN MYANMAR

We have prepared a matrix of options for public sector reform that draw on lessons from Myanmar's history as well as recent reform experience (Table 2). We do not offer these options as a comprehensive plan for the future, as that would require much additional work and time to produce. Rather, we take the pragmatic view that specific reforms are urgently needed and should be implemented now. As such, we highlight some pressing problems that can be tackled immediately so that the reforms can broaden and deepen over time.

This brings us to our final point: the participation of the public. We believe strongly that public sector reform is an issue that concerns everyone in Myanmar. We hope that all stakeholders in Myanmar—those in the government, parliament, political parties, media, private sector, as well as civil society—will find this paper helpful in taking forward the discussion of public sector reform already underway in the country. Likewise, we hope that the international development community will also find our research findings useful for program considerations.

TABLE 2: OPTIONS FOR PUBLIC SECTOR REFORM IN MYANMAR

#	Public Sector Reforms	Reason	Examples
1	Strengthening the center of government	Good leadership is necessary for reforms to succeed. The Office of the President provides political leadership, strategic direction, policy coordination, public communications, and reform tracking across the entire government.	Strengthen the policy capability of the civil service by establishing a reform policy unit in the Office of the President. Expand public communications in the Office of the President to provide the public with better information on the progress of reforms.
2	Progressing public finance reform	The government can achieve quick wins by managing public finances better, redirecting money to where it is most needed, and improving tax collection.	Improve the budget process so that parliament and the public have access to information and can contribute to government decision making on public revenue and expenditure. Strengthen the Ministry of Finance's role of providing line ministries with policy direction on budgets.
3	Promoting a professional civil service	A modern, professional, and inclusive civil service that reflects the ethnic and religious diversity of the country is an important step towards restoring public trust in government.	Open civil service positions to all Myanmar citizens by improving merit-based recruitment and promotion practices. Ensure civil service training reflects the new democratic values of the Constitution and promotes the rule of law. Review civil service salaries and grade structures.
4	Consolidating state and region government	Establishing effective state and region governments is an important contribution towards effective and responsive governance and a sustainable peace settlement.	Establish a taskforce in the Office of the President to fast track policy on Union, state and region government responsibilities in a sector such as education. Prepare draft amendments to Schedules One and Two for parliament's constitutional committee to consider.
5	Improving service delivery	The government needs to demonstrate that the reforms translate into better public services in sectors such as health, education, water and sanitation, irrigation, and roads.	Introduce a public complaints mechanism that citizens can access at the level of the township administration. Establish basic performance information systems so that cabinet can track progress in service delivery.

#	Public Sector Reforms	Reason	Examples
6	Supporting clean government	Overcoming widespread corruption can help both to restore public trust in government and to improve service delivery.	Improve tax administration practices to cut corruption and end widespread tax evasion. Reduce waste by ensuring that government ministries follow competitive procurement practices.
7	Reforming state economic enterprises	State economic enterprises make a significant contribution to Myanmar's economic and social development.	Improve corporate governance practices in state economic enterprises, including those in the oil and gas sector, as well as military-controlled holding companies, to make all these more effective and accountable.

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