The Asia Foundation

THE CONTESTED AREAS OF MYANMAR

Subnational Conflict, Aid, and Development

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PREFACE

Far from being a problem restricted to the periphery, Myanmar's subnational conflicts are widespread and shape many of the country's most pressing national challenges. Subnational conflicts directly affect up to one-quarter of the population. For more than half a century they have severely impacted the entire country's political trajectory, economic growth, and human development.

Myanmar's national political reforms and its peace processes are intrinsically linked. Successful democratization and improvement of living standards require finding ways to end Myanmar's subnational conflicts. Significant progress towards peace has been made since 2011, yet achieving sustainable and comprehensive peace will ultimately involve further structural change, from effective devolution of political authority, to civilianizing the state, to generating agreement on a system of government that is widely recognized as legitimate by people of all ethnic nationalities.

While the current peace processes in Myanmar are a national endeavor, the broader international community has an important supporting role to play. To contribute to the ongoing dialogue on how to encourage Myanmar's political transition, the country's development, and ultimately prospects for peace, The Asia Foundation carried out a year-long study leading to this report, *The Contested Areas of Myanmar: Subnational Conflict, Aid, and Development.*

The multi-authored report draws on the rich expertise of contributing researchers and analysts. It builds upon the Foundation's 2013 publication, *The Contested Corners of Asia: Subnational Conflict and International Development Assistance.* The extensive analytical work produced by the Foundation since 2013 on governance issues impacting Myanmar as a whole, including conflict-affected areas where parallel authorities and mixed control arrangements have endured, provided a valuable country-specific information base.

The report was generously funded by the Korea Trust Fund for Economic and Peace-building Transitions via the World Bank Group. We are also grateful for additional funding from the United Kingdom's Department for International Development (DFID) and the Australian Department of Foreign Affairs and Trade (DFAT).

We hope *The Contested Areas of Myanmar: Subnational Conflict, Aid, and Development* provides a significant knowledge base on ways that the Government of Myanmar, ethnic armed organizations, and international aid agencies can support development and peace.

Dr. Kim N.B. Ninh
Country Representative

The Asia Foundation Myanmar

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ACRONYMS

3MDG	Three Millennium Development Goals Fund
AA	Arakan Army
ADB	Asian Development Bank
AIMS	Aid Information Management System
ARSA	Arakan Rohingya Salvation Army
ASEAN	Association of Southeast Asian Nations
CSO	Civil Society Organization
DACU	Development Assistance Coordination Unit
DFID	UK's Department for International Development
DKBA	Democratic Karen Buddhist Army, also Democratic Karen Benevolent Army
EAO	Ethnic Armed Organization
EITI	Extractive Industries Transparency Initiative
ENAC	Ethnic Nationalities Affairs Centre
GAD	General Administration Department
IDP	Internally Displaced Person
IFC	International Finance Corporation
INGO	International Nongovernmental Organization
JCB	Joint Coordinating Body for Peace Process Funding
JICA	Japan International Cooperation Agency
KIO	Kachin Independence Organization
KIA	Kachin Independence Army
KNLA	Karen National Liberation Army
KNU	Karen National Union
KWO	Karen Women's Organization
KNWO	Karenni National Women's Organization
KNPP	Karenni National Progressive Party
LIFT	Livelihoods and Food Security Trust
MIMU	Myanmar Information Management Unit

MoE	Ministry of Education
MoEE	Ministry of Electricity and Energy
MoNREC	Ministry of Natural Resources and Environmental Conservation
MMK	Myanmar Kyat
MNDAA	Myanmar National Democratic Alliance
MWO	Mon Women's Organization
NCA	Nationwide Ceasefire Agreement
NDAA	National Democratic Alliance
NLD	National League for Democracy
NMSP	New Mon State Party
NRPC	National Reconciliation and Peace Center
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PNO	Pa-O National Organization
RCSS	Restoration Council of Shan State
SAD	Self-Administered Division
SPDC	State Peace and Development Council
TNLA	Ta'ang National Liberation Army
UN	United Nations
UNDP	United Nations Development Program
UNFPA	United Nations Population Fund
UNHCR	Office of the *United Nations High Commissioner for Refugees*, the UN Refugee Agency
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
UWSA	United Wa State Army
UWSP	United Wa State Party
WASH	Water, Sanitation, and Hygiene

LIST OF TERMS

Aid agency: International organization that manages **international development assistance** or manages projects funded through such assistance. Includes international NGOs and consultancy organizations that implement foreign aid funded projects.

Bamar: The dominant ethnic group of Myanmar, thought to comprise two-thirds of the country's population.

Border guard forces: Militias created by the **Tatmadaw**, integrating Tatmadaw soldiers with units originally from ethnic armed organizations or militia groups.

Burma: Alternative name for **Myanmar** and official country name until 1989.

Civil Society Organizations: Nongovernmental organizations, typically small scale and composed of members of society or a local community, that pursue shared interests in the public domain.

Concessional loans: Loans that are extended with comparatively generous terms, often used as a form of **international development assistance**.

Conflict advisors: Individuals working to support aid agencies, think tanks, and governments on conflict-related issues.

Conflict mitigation: A range of strategies and activities to reduce ongoing violent conflict.

Conflict sensitivity: The ability of an organization to be fully aware of the conflict context within which it is operating, allowing it to mitigate the risks of its involvement.

Contested: Similar to conflict-affected, stressing competition for authority over territory, resources, and the local population.

Conventional warfare: A form of warfare conducted using conventional weapons and tactics between parties in open confrontation.

Decentralization: The transfer of authority from the central government to lower levels of government.

Development policies and practices: The specific actions of governments or other bodies. These policies and practices may be one aspect of **development processes**.

Development processes: Changes associated with economic growth or improved living standards, such as increased natural resource extraction or the spread of commercial farming.

Development: Defined for this report as economic growth or improved living standards. In practice, the term is used in various ways and it can carry positive or negative overtones.

Donors: Official agencies that donate or lend at concessional rates to Myanmar, such as United Nations agencies, multilateral lending institutions, and foreign governments. A narrower category than **aid agency**.

Ethnic areas: Areas of Myanmar in which one or more non-**Bamar** ethnic group makes up the majority of the local population.

Ethnic Armed Organization: Nonstate armed groups that challenge the authority of the Government of Myanmar in **ethnic areas** of the country.

Ethnic population: People who belong to an ethnic minority in Myanmar (i.e. are not **Bamar**).

Federalism: A mode of governance combining a central government with multiple regional administrations in a single system.

Fiscal policy: The means by which a nation adjusts its levels of income and expenditure to influence its economy.

Foreign aid: See **international development assistance**.

Government: The civil and military state administrations of the Union of Myanmar.

Grievance: A real or imagined cause for complaint, often the basis for political protest or actions for its redress within or outside of the judicial system.

Implementing agency: A national or international agency that implements projects or other initiatives using donor funds.

Internally Displaced Persons: Individuals who have been forced to flee their homes, yet have remained within the boundaries of the state.

International aid: See **international development assistance**.

International development assistance: (also known as **foreign aid**, **international aid**, or simply aid) is a voluntary transfer of resources from one country to another for development purposes. It normally refers to expenditure by donor governments or multilateral institutions rather than private transfers or aid from NGOs.

Kayah: The official government term for the ethnic populations sometimes known collectively as the Karenni, or Red Karen, and for the state in Myanmar where many Karenni live. Though known as the Red Karen, Karenni are considered a separate ethnic and linguistic population than the Karen.

Kayin: The official government term for the ethnic populations known as the Karen, and for one state in Myanmar where many Karen live.

Myanmar: The abridged name for the Republic of the Union of Myanmar, previously called the Union of Burma, or **Burma**.

NLD Government: The government led by the National League for Democracy party, under **State Counsellor** Aung San Suu Kyi, elected in 2015.

Panglong: The site of the 1947 Panglong Conference, convened by General Aung San and various minority leaders for the purpose of forming a Union. The term has been revived and applied to the latest national peace process under the NLD-led government of State Counsellor Aung San Suu Kyi.

Paramilitary: A government-affiliated armed force that is not part of the **Tatmadaw**. Includes militias and **border guard forces**.

Peacebuilding: Actions to promote sustainable peace and prevent the recurrence of violence.

Peace dividends: Direct benefits designed to follow new ceasefire agreements.

Region: One of Myanmar's fourteen main administrative areas, similar to a **state**. Myanmar has seven states and seven regions, plus the Union Territory of Naypyidaw. Myanmar's regions are majority ethnic **Bamar**.

Self-administered areas: Any of the five Self-Administered Zones (Danu, Kokang, Naga, Pa-O, and Palaung) and one Self-Administered Division (Wa) that have some additional measure of autonomy.

Stabilization: Economic, social, and political reform and development interventions made to stabilize a society on the verge of, in the midst of, or immediately following conflict.

State: An administrative area of Myanmar, similar to a **Region**. Myanmar's seven states are named after ethnic minorities.

Statebuilding: Building or reestablishing the institutions necessary to encourage the social, economic, and political development of a country.

State Counsellor: The post held by Aung San Suu Kyi, possessing prime minister-like authority. State Counsellor Aung San Suu Kyi is constitutionally barred from becoming President due to a constitutional provision forbidding individuals who have children with foreign citizenship from ascending to the office.

Subnational conflict: Armed conflict over control of a subnational territory within a sovereign state.

Tatmadaw: The armed forces of Myanmar, also known as the Defense Services.

Technical assistance: Training and expertise on a specific topic, usually funded by **international aid**.

Transformative change: A change in the dynamics that have generated or sustained conflict and prevented a region or community from reaching a level of sustained stability and functioning governance.

Transitional justice: Judicial and nonjudicial measures to address past abuses, often on a large or systemic scale.

Chapter 1

INTRODUCTION

Myanmar has been more deeply affected by subnational conflict than any other country in Southeast Asia. The full death toll is unclear, but after seven decades of intermittent violence involving many different armed groups, many thousands of civilians and armed combatants have undoubtedly been killed.[1] The wider impact of the conflict on the population is still more significant: a long-term record of human rights abuses, chronic insecurity, poor living conditions, and a pervasive feeling of disempowerment among the country's ethnic minorities. Subnational conflict has adversely affected Myanmar as a whole by justifying a long-term political role for the military and holding back the country's economic potential. Conflicts continue to cause civilian casualties – Myanmar had the third highest number of people estimated to have been killed or injured by landmines from 2014 to 2016.[2]

Subnational conflict—armed conflict over control of a subnational territory within a sovereign state—has distinct characteristics.[3] This type of internal conflict is usually fought between the central government and nonstate armed actors who seek greater autonomy for their region. It often takes place where there is a functioning state, not typically seen as fragile, with sites of protracted violence concentrated in the country's periphery. Subnational conflicts are typically asymmetric, with state security forces opposing one or more armed groups whose members typically share a common ethnic, cultural, or religious identity with the local population in the conflict-affected area.

In the last 25 years, subnational conflicts have affected half of the countries in South and Southeast Asia. They are prevalent in relatively strong and centralized Asian countries, many of which have experienced rapid development but are yet to find nonviolent political ways to manage tensions related to how the country is governed. These tensions can be especially acute in subnational areas where the majority of people belong to an ethnic group that is a minority at the national level.

> “VIOLENCE CONTINUES IN MANY OF MYANMAR’S CONTESTED AREAS, NOT ONLY UNDERMINING THE TRANSITION TO PEACE, BUT ALSO CHALLENGING BROADER ECONOMIC AND POLITICAL REFORMS.”

Myanmar differs in many ways from most other states affected by subnational conflict. In most Asian countries experiencing subnational conflict, the affected regions are home to a small proportion of the national population—on average just 6.5 percent.[4] Largely because of this, subnational conflict is rarely at the core of national politics. In contrast, since Myanmar’s independence, large swathes of the country have been affected by uprisings and insurgencies seeking more autonomy or independence from the central state.

In 2016, The Asia Foundation’s research team identified areas affected by active or latent subnational conflict in at least eleven of Myanmar’s fourteen states and regions. Each of these contested areas, which include 118 of Myanmar’s 330 townships, containing almost one-quarter of Myanmar’s population, hosts one or more ethnic armed organizations (EAOs) that challenge the authority of the central government.[5] Armed violence, and the presence of these armed groups, which are normally affiliated with one of Myanmar’s many ethnic minorities, are not just a concern for remote border zones of the country: some affected areas lie within 100 kilometers of either the capital, Naypyidaw, or the largest city, Yangon. Myanmar’s conflicts involve some of the most powerful nonstate armed organizations in South and Southeast Asia: the strongest armed wing of an EAO, the United Wa State Army, can mobilize as many as 30,000 troops.[6]

Myanmar’s subnational conflicts differ in some ways from those found elsewhere. The majority of subnational conflicts in Southeast Asia occur in generally stable, middle-income countries, while, after decades of authoritarian rule, Myanmar continues to have high levels of poverty. Myanmar’s subnational conflicts are characterized by the exceptional number of nonstate groups that are, or have been, active, including at least twenty EAOs and many other armed organizations such as government-affiliated militias. Where armed groups have made agreements with the state, or have folded, new or splinter groups have emerged. Some conflict-affected areas of Myanmar are governed by EAOs, which in some cases hold territory that has never been controlled by the central government and operate parallel, state-like agencies that build roads, train teachers, and administer local justice.

Subnational conflicts in Myanmar are particularly enduring. The average duration of subnational conflicts in South and Southeast Asia is 45.2 years, more than double the global average of 16.8 years. Yet the six longest subnational conflicts in Myanmar have lasted for an average of more than 66 years.[7] Prolonged subnational conflict has justified the military’s strong political role, created huge territorial challenges for the state, and massively hindered development (defined here as economic growth or improved living standards).[8] In this way, subnational conflicts continue to affect the entire country’s political trajectory and the well-being of its population. For example, formal border trade between China and Myanmar dropped by over USD 200 million in 2016 largely because of conflict in northern Shan State.[9]

Subnational conflict in Myanmar is not just a problem at the margins that can be easily ignored. Both the current government, under the National League for Democracy (NLD), and the Myanmar Armed Forces (referred to as the *Tatmadaw*) have repeatedly stated that sustainable progress towards democracy and improved development will depend on the achievement of peace. Since 2011, the Myanmar government has moved the country towards a more open economy and a more democratic system. If the current transition towards a stable and prosperous state is to be successful and enduring, it will be necessary to achieve peace in subnational conflict areas.

In recent years, leaders of the government and EAOs have reinvigorated the search for solutions to Myanmar’s subnational conflicts. Eight EAOs have signed the Nationwide Ceasefire Agreement (NCA) which was initiated by the first transitional government of Thein Sein’s United Solidarity and Development Party, and political dialogue aimed at redefining center-periphery relations has commenced under the NLD-led government of State Counsellor Aung San Suu Kyi. The process is widely recognized by both international and national observers as a significant step, and it has reduced tensions in some areas. Yet, further steps towards sustainable peace remain elusive. Violence continues in many of Myanmar’s contested areas, not only undermining the transition to peace, but also challenging broader economic and political reforms.

1.1 CAN FOREIGN AID HELP REDUCE SUBNATIONAL CONFLICT IN MYANMAR?

This report, which builds upon a previous regional study by the Asia Foundation, *The Contested Corners of Asia*, seeks to determine what role international development assistance (also called *foreign aid*, or simply *aid*) can play in supporting a transition to peace in Myanmar's subnational conflict areas and, conversely, how it could threaten it. Foreign aid to Myanmar has expanded massively, with USD 13.7 billion committed to new projects between 2011 and 2015.[10] International development agencies have prioritized forgiving past debts, filling the country's infrastructure gap, improving social-service delivery, boosting the economy, and cementing economic and political reforms. A large share has also focused on promoting good governance. Smaller amounts have addressed peacebuilding and directly supported the nascent peace process.

Until the 2011 reforms, Western donor countries and multilateral aid providers, including the World Bank and the Asian Development Bank, avoided significant contact with the Government of Myanmar. Some Western governments actively supported opposition to the military-led regime. Following political change and the subsequent rapid removal of most sanctions, donors have established working relations with the government and now increasingly channel aid to the state through technical assistance, sectoral programs, or direct budget support.

How does such foreign aid shape the prospects for peace in Myanmar? Experience in other subnational conflict areas shows that aid, when designed well, can support transformative change, but it also shows that aid can sometimes be ineffective or even harmful. What types of aid will best support peace in Myanmar? Are donors conducting "business as usual" now that most sanctions have been removed, or are they able to adapt their approaches to take subnational conflicts into account? And how can foreign aid programs be further enhanced so that they are more likely to support the transition to peace? This report seeks to answer these questions.

Statebuilding and peace through development in Myanmar's subnational conflict areas

Some key international peacebuilding concepts are particularly relevant to Myanmar's subnational conflicts.

Statebuilding. Globally, international aid agencies have embraced the notion of statebuilding as a means to build peace. The idea is that more robust state institutions can prevent and address armed conflicts by managing violence and improving development outcomes.[11] Aid is often used to bolster state capacity to operate in conflict-affected areas in order to reduce violence over the long term. There are plenty of critiques of naïve statebuilding approaches. *The Contested Corners of Asia* showed that efforts to strengthen states are as likely to lead to conflicts as to resolve them, and lessons from subnational conflict areas show that imposed state expansion planned from the center often leads to continued or recurring conflict.[12] In response to these findings, aid agencies have increasingly tried to build the legitimacy of the state, thereby improving relations between the government and citizens.[13] Yet real questions remain about how to go about doing this, especially when EAOs and other nonstate institutions have significant influence and may resist state expansion.

Providers of foreign aid to Myanmar face a dilemma. On the one hand, reforming the state is key to addressing many of the development challenges that the country faces. Supporting reforms requires working with, and sometimes through, state institutions. Given the size of the country and the scale of its needs, working through the government will also be important to help Myanmar build the systems it needs to serve its population. On the other hand, EAOs with their own civil and armed institutions will resist statebuilding that diminishes their authority or undermines their aims of achieving greater autonomy. It follows that if statebuilding in Myanmar follows established practices and fails to build sufficient prior consensus then it may lead to more violence and conflict. What is more, given the country's highly centralized system, with a military that retains significant independence and a strong political role, there is no guarantee that national political and economic reforms will address the ongoing tensions that underpin subnational conflicts.

Peace through development. National governments and international aid agencies alike have often viewed bolstering growth and improving living standards as ways to address conflicts. Improving these development outcomes may in some cases reduce the incentives individuals have to join armed groups, and can address the grievances that drive conflict. Yet experience from many countries, as outlined in *The Contested Corners* report, has shown no consistent or clear relationship between development and subnational conflict.[14] As average incomes have increased across most of Asia, the number of subnational conflicts has also grown. These conflicts persist in middle-income states that have experienced rapid development, such as Thailand and the Philippines. Furthermore, the rapid changes that accompany accelerated development generate losers as well as winners, and can create instability. These tensions are acute in many of Myanmar's subnational conflict areas, as later chapters explain.

High levels of poverty and low living standards mean that economic progress and improved social services are a priority for many people across Myanmar.

However, development initiatives have often been deployed as part of security-centered efforts to pacify contested areas, leading to widespread cynicism among local populations over the intentions of centrally led initiatives. Efforts to exploit Myanmar's wealth of natural resources through mines, dams, forestry, and plantations also raise concerns. Most of the country's resource wealth and key trade routes lie in areas with minority populations and a history of conflict.

1.2 ASSESSING THE IMPACTS OF FOREIGN AID ON SUBNATIONAL CONFLICT IN MYANMAR

This report seeks to show how different forms of foreign aid, using different approaches, may help shape—positively or negatively, intentionally or inadvertently —the prospects for peace in Myanmar.

Distinctive elements of the Myanmar context—widespread subnational conflict, a peace process operating in parallel with broader economic and political transitions, new diplomatic relationships and aid flows—make it important to examine how foreign aid can support peace in the country. This report develops and extends many of the frameworks presented in *The Contested Corners of Asia* to investigate the nature and causes of subnational conflict in Myanmar, why it has endured, and how aid can play a positive (or negative) role.

The report explores the three-way relationship between foreign aid, development processes, and conflict (figure 1.1). The impact of foreign aid on conflict depends on how aid programs and policies affect broader development processes, such as the expanding reach of local government across the country or new exploitation of natural resources in subnational conflict areas.

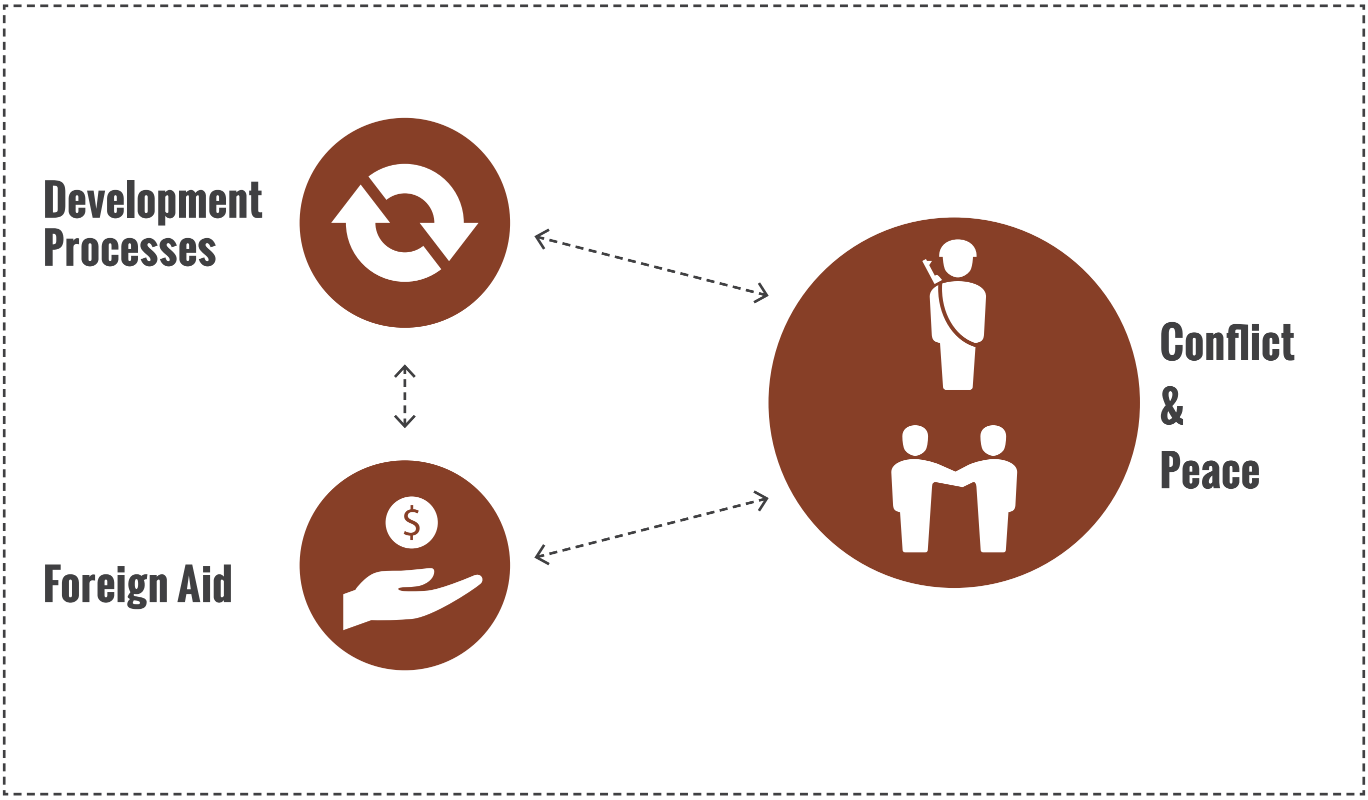
The report looks at how aid programs are shaping these broader processes, and how this, in turn, affects the prospects for peace.

The report looks at three main dimensions in which foreign aid affects peace and conflict, typically through its impact on development processes:

- Aid may help or hinder negotiations for a sustainable transition to peace.
- Aid may alleviate or exacerbate the underlying causes of conflict.
- Aid may mitigate or provoke violence and tensions on the ground.

Where aid has a positive impact, it may strengthen prospects for peace. Conversely, where aid has negative effects in these areas, it may make progress towards peace more difficult.

FIGURE 1.1
Interactions between conflict, development, and aid



1.3 RESEARCH METHODS

The Contested Areas of Myanmar study draws on a combination of quantitative and qualitative research methods. Further detail is available in the Methods Annex.

Secondary source assessment. The starting point for the research involved a conflict analysis assessing how the existing literature frames Myanmar's subnational conflicts. Further secondary sources were used to analyze development processes and policies, and international development assistance norms and practices.

Township Development Indicators and Index. To allow for nuanced analysis of subnational patterns and trends, the team developed a quantitative database for each of Myanmar's 330 townships. The Township Development Indicators database combines data from multiple sources covering subnational conflict, development status and demographics, geography and natural resources; and foreign aid. Townships were selected because they are the lowest-level administrative unit where sufficient comparable data exists. Differences within townships were assessed by other methods, including case studies.

Drawing on the 2014 Myanmar Population and Housing Census, an aggregated, township-level development index was created, with additional subindices on education, living standards, and health.

Aid database. The research team conducted a survey of foreign aid projects in Myanmar. While existing data found in the Mohinga Aid Information Management System (AIMS) tracks these figures, it depends on regular updates by aid agencies. Concerns about its completeness motivated this distinct exercise to verify existing data and collect new information.

Case studies. The research team conducted four case studies, which combined key informant interviews and focus group discussions in towns and villages. The research sites were purposively selected to offer a representative sample of conflict-affected townships: Kayah State (Loikaw, Demoso, Hpruso, and Bawlakhe Townships), Shan State (Namhsan Township and surrounding areas), Kayin State (Hlaingbwe Township), and Kachin State. In Kachin State, the approach was adapted to examine development processes and foreign aid projects during and after the 17-year ceasefire (1994–2011). This involved research in Myitkyina, five villages in Waimaw Township, and three camps for displaced people. The case studies focused on five representative categories of development intervention involving high levels of development assistance: hydropower dams and electrification, roads, community and local development, peacebuilding, and social services—specifically health and education.

Interviews. Additional interviews were conducted with approximately 120 national and international experts, donors, and government officials. These included staff of eight national government ministries, more than thirty donor agencies, three state or region governments, and representatives from the UN, multilateral organizations, academia, international non-governmental organizations and civil society organizations. Key peace-process stakeholders were interviewed, including representatives from the National Reconciliation and Peace Center, former Myanmar Peace Centre staff, ethnic armed organizations and alliances, and members of committees within the peace negotiations architecture.

Media discourse assessment. As a supplemental method, the research team conducted a discourse assessment to capture a broad spectrum of media coverage on selected themes: the peace process and peacebuilding; roads, hydropower dams, and electrification; and health and education services.

This report does not focus on the situation in Rakhine State. The research team decided early on that the conflict in Rakhine requires much more specific attention than was possible, given its distinct features, although it is considered in the report's evidence base and analysis.

1.4 OVERVIEW

This report has two parts, followed by a concluding chapter offering recommendations for both domestic and international audiences.

Part I (chapters 2 through 4) provides an assessment of subnational conflict, development processes, and aid in Myanmar.

Chapter 2 provides an overview of Myanmar's subnational conflicts and the conditions that have led to their current status. It describes the historical roots of conflict, presents key conflict statistics and maps, and illustrates why cycles of violence have endured. It develops a thematic framework for analyzing subnational conflict in Myanmar, highlighting key contributing factors at the national and local levels. The chapter explains the conceptual links between conflict, development processes, and foreign aid.

Chapter 3 analyzes development processes and trends in Myanmar's contested areas. It compares levels of socioeconomic development in contested areas with those in other parts of the country. It discusses how development processes—including the expansion of state control and authority—have shaped disputes between the state and nonstate groups.

Chapter 4 identifies the main features of foreign aid to Myanmar. It considers both aid interventions intended to improve development outcomes and a smaller category of aid that has primarily a peacebuilding purpose. It demonstrates how aid has changed since national political and economic reforms began in 2011 by outlining who is providing aid, what types of aid are being provided, where it is being targeted, and how aid programs are being implemented.

Part II (Chapters 5 and 6) assesses the effects of aid in subnational conflict areas.

Chapter 5 looks at how aid that is intended to improve development outcomes affects Myanmar's subnational conflicts. It applies a framework for assessing aid based on the three dimensions in which aid programs may contribute to peace or, conversely, intensify conflict. The chapter includes both positive and negative examples, and draws broader insights into how aid can improve the prospects for peace.

Chapter 6 examines how aid that has primarily a peacebuilding purpose shapes conflict, applying the framework developed in Chapter 5.

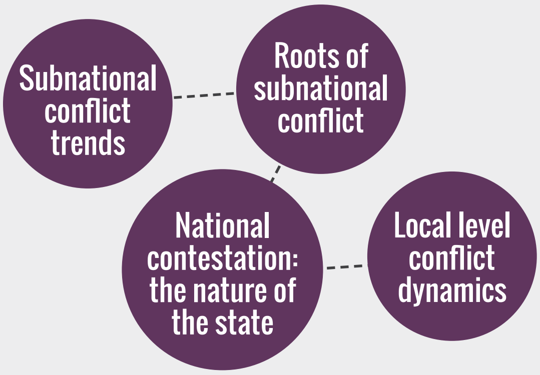
Chapter 7, the final chapter of the report, presents conclusions and offers recommendations for the government, ethnic armed organizations, and international development agencies.

CHAPTER GUIDE

PART I

CHAPTER 2: SUBNATIONAL CONFLICT IN MYANMAR

THEMES


Subnational conflict trends

Roots of subnational conflict

National contestation: the nature of the state

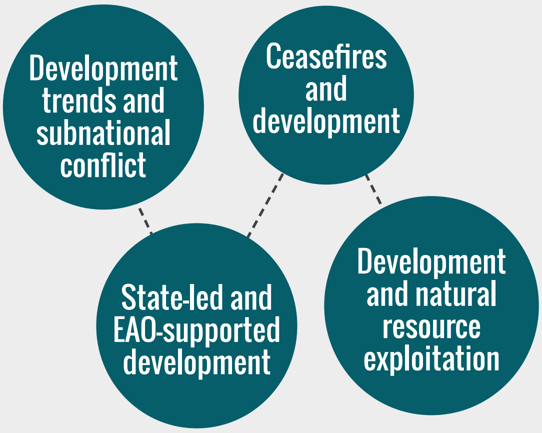
Local level conflict dynamics

HIGHLIGHTS

- Subnational conflict in Myanmar is not a peripheral issue. More than one-third of the country's 330 townships are affected.
- The conflicts are driven by national contest between military and civil rule, for equal rights, and for a federal rather than a centrally controlled state.
- Local conflicts are extremely complex, with distinct dynamics and governance arrangements. At the local level, conflicts are driven by competing demands concerning control over resources, authority, and territory.

CHAPTER 3: DEVELOPMENT AND MYANMAR'S SUBNATIONAL CONFLICT

THEMES


Development trends and subnational conflict

Ceasefires and development

State-led and EAO-supported development

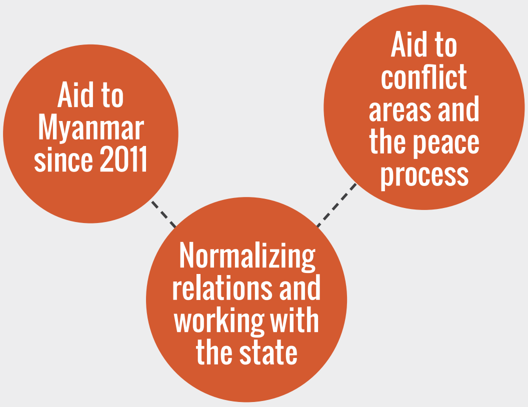
Development and natural resource exploitation

HIGHLIGHTS

- There is no simple linear relationship between subnational conflict, economic growth, and improved living standards. Creating peace is more complex than tackling underdevelopment in contested areas.
- Development interventions are never neutral. Development has been used to support wider aims of stabilization and security by Myanmar's military-led governments and to support the interests of conflict parties, including EAOs.
- Ceasefire periods in the past provided economic benefits to elites, while the wider population often gained little and political settlements usually failed.
- Myanmar's conflicts are not about natural resources alone, but abundant natural resources have fueled them.

CHAPTER 4: AID AND SUBNATIONAL CONFLICT

THEMES


Aid to Myanmar since 2011

Aid to conflict areas and the peace process

Normalizing relations and working with the state

HIGHLIGHTS

- At least USD 13.7 billion was committed to support the country's development between 2011 and 2015.
- Since 2011, donors have moved towards normalizing relations with the state.
- The health, energy, and transport sectors have received the greatest funding. Peace-related programming is far cheaper than many other interventions – only around 3 percent of foreign aid committed to Myanmar is spent on peacebuilding and conflict prevention.
- Aid agencies are generally aware that they need to consider conflict in their programming, although challenges remain, especially at the national level.

PART II

CHAPTER 5: IMPACTS OF FOREIGN AID ON CONFLICT

THEMES

- Development and ceasefire agreements
- Negative and positive impacts on conflict drivers
- Adapting national programs
- Upstream and downstream conflict sensitivity

HIGHLIGHTS

- Development policies and interventions are intertwined with Myanmar's peace processes.
- Aid can affect the prospects for peace by boosting or hindering negotiations towards a sustainable transition, ameliorating or exacerbating underlying drivers of conflict, and by mitigating or aggravating violence and tensions on the ground.
- Funding to large infrastructure and resource extraction projects have particular risks, at times further entrenching ethnic grievances.
- Conflict sensitive approaches tends to focus on adapting existing plans and addressing local concerns, and have been less effective at influencing policy directions or tackling national issues.

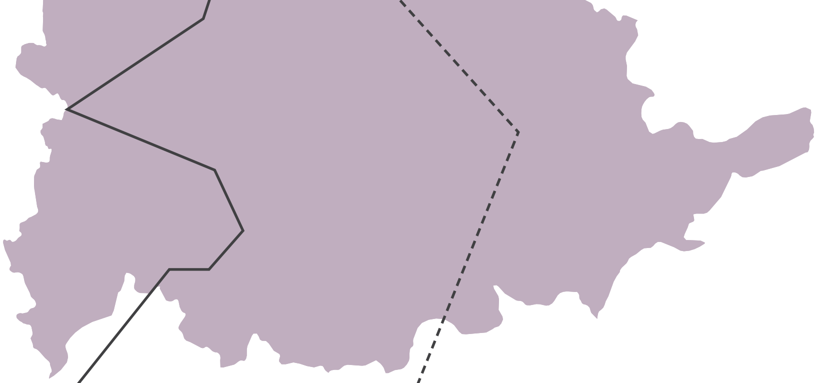
CHAPTER 6: IMPACTS OF FOREIGN AID FOR PEACEBUILDING

THEMES

- International support for a domestically led peace process
- Peace dividends and local-level programs
- Approaches to peace building and challenges
- Providing flexible long-term peace assistance

HIGHLIGHTS

- While international donors provide technical and financial support, the peace process is domestically led. Progress in the peace process is unlikely to be linear and aid agencies should prepare for long term engagement.
- Peace process aid encompasses different types of program, including direct support to the peace process, complementary measures to bolster the formal process, efforts to address underlying causes of conflict, and attempts to build peace at a local level.
- The complex situation in Myanmar, with a vast array of actors with different interests involved, requires aid agencies to be informed and politically astute.
- Peace dividend projects bring some material benefits to communities but often make little difference to the potential for a transition to peace.



Chapter 2

SUBNATIONAL CONFLICT IN MYANMAR

SUMMARY

Myanmar's subnational conflicts affect more than one-third of the country's 330 townships. Many of the conflicts have persisted for over six decades. Thousands have been killed, hundreds of thousands displaced, and many more adversely affected.

Opportunities exist to build on ongoing peace processes. But while ceasefire agreements have been upheld in some parts of the country, violent conflicts between the armed forces and ethnic armed organizations continue elsewhere.

The conflicts are driven by national contest between military and civilian rule, for equal rights, and for a federal rather than a centrally controlled state.

Conditions on the ground vary over small distances, and violence often involves a range of armed groups. Conflict is generated by competing local demands for control of territory, authority over the population, and access to resources.

Myanmar's peace processes are domestically led and facilitated. China is the most important external influence in Myanmar's subnational conflicts, especially in areas along its borders. Other neighboring countries, regional powers, and Western countries all have some influence.

People living in Myanmar's extensive conflict-affected areas have suffered from violence and its effects over many decades, in some cases since the country's independence shortly after World War Two. Hundreds of thousands of people have been displaced, often repeatedly. Millions more have directly suffered the effects of conflict, and national political and economic progress has been stunted.

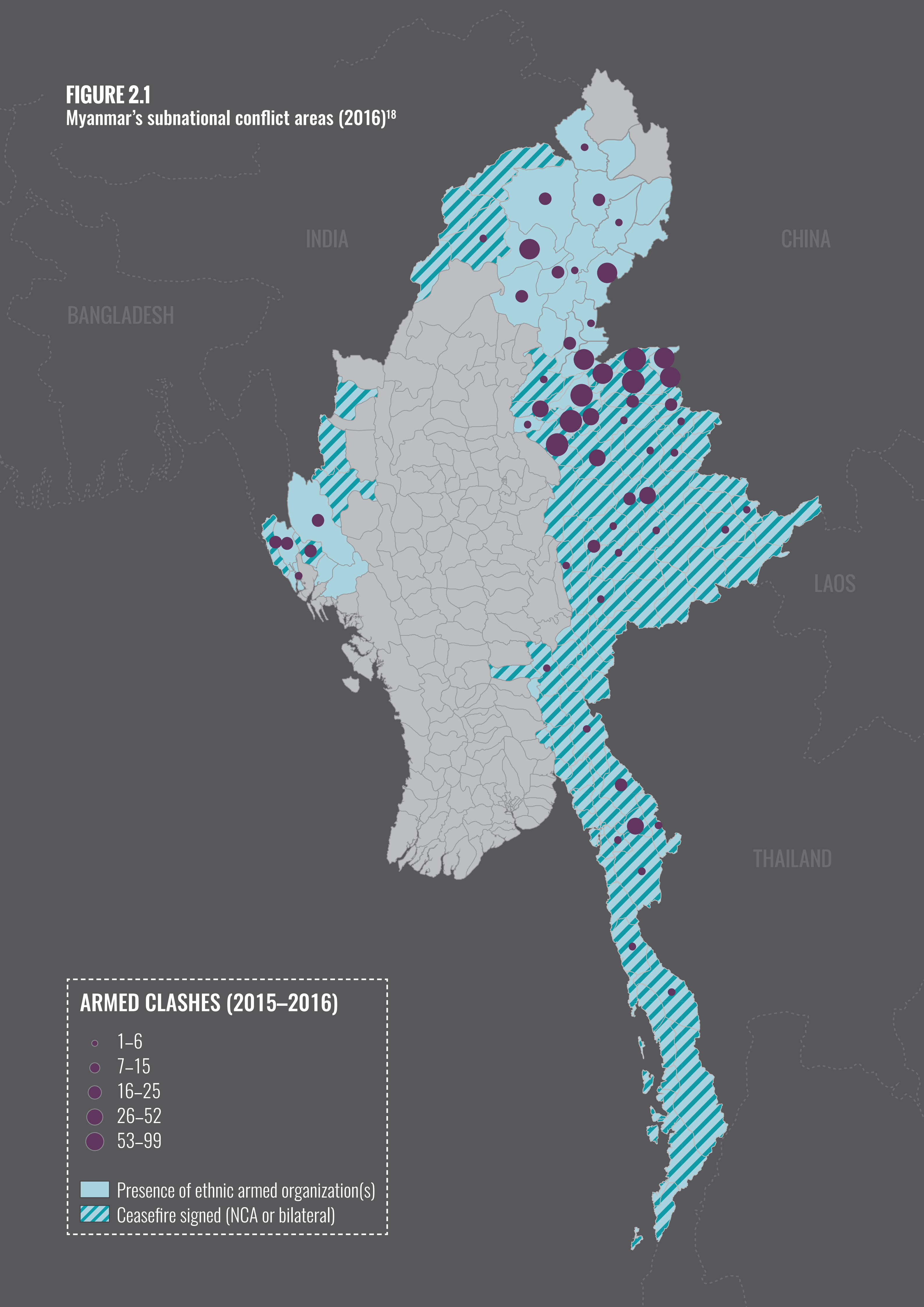
There has been some progress towards peace in recent years, yet violent subnational conflict continues to affect significant parts of Myanmar, as shown in figure 2.1. In the three-year period between 2014 and mid-2017 (when research for this report was concluded), at least 600 people were killed and 700 injured as a direct result of armed conflict in Shan and Kachin States in northern Myanmar. The vast majority of those killed were men, and around 40 percent were civilians.[15]

In 2015 and 2016, a total of 1,022 clashes between the government and EAOs were recorded across 63 townships.[16] Local residents have been repeatedly displaced by conflict. Over 100,000 people resided in long-term camps in Thailand during 2016. Others were forced to flee to China to avoid recent fighting, while close to 100,000 people remained displaced within Shan and Kachin States.[17]

The geographic spread of Myanmar's conflicts shows that, unlike subnational conflicts in many other Asian countries, they are not a localized exception affecting a small corner of the country. Instead, their form and duration relates closely to Myanmar's troubled history as an independent nation. This chapter provides an overview of Myanmar's subnational conflicts, their history and the conditions that have perpetuated them. It also presents a framework for understanding these conflicts, explaining the national and local factors that have made comprehensive and lasting peace so elusive.

FIGURE 2.1

Myanmar's subnational conflict areas (2016)[18]


INDIA
CHINA
BANGLADESH
LAOS
THAILAND
ARMED CLASHES (2015–2016)
● 1–6
● 7–15
● 16–25
● 26–52
● 53–99
Presence of ethnic armed organization(s)
▨ Ceasefire signed (NCA or bilateral)

BOX 2.1
Key statistics: Myanmar's subnational conflicts

- Myanmar's ongoing subnational conflicts are among the world's most enduring. Some areas of the country have remained predominantly outside of state control since before independence in 1948.[19]
- Today, approximately 118 of Myanmar's 330 townships are affected to some extent by conflict and associated tensions between the government and ethnic armed organizations. These townships contain more than 12.3 million people, or close to one-quarter of Myanmar's population.[20]
- EAOs that have signed bilateral ceasefire agreements with the government are present in 94 townships. Around 40 percent of these townships experienced armed clashes in 2015–2016, despite the agreements.
- Analysts consider the operational Myanmar's armed forces (the Tatmadaw) to be around 250,000 to 350,000 in number.[21] The Tatmadaw also backs paramilitary forces: local, government-affiliated militias and 23 former nonstate armed groups that now operate as border guard forces.
- There are over twenty independent EAOs in Myanmar, and they vary widely in terms of size and influence. The five largest groups are thought to have over 5,000 armed combatants each, while smaller groups can call on a few hundred combatants. Some EAOs run their own civil administrations that offer health, education, and other public services in their areas of influence.
- From Burma's independence to the current peace processes, all seven major efforts to negotiate a nationwide end to the country's subnational conflicts have failed to produce a lasting settlement.[22]

2.1 PATTERNS OF SUBNATIONAL CONFLICT IN MYANMAR

Subnational conflict dynamics in Myanmar are extremely varied, to the extent that any clear typology or classification generates as many exceptions as rules. Levels of violence vary over time and from place to place. In 2005–2006, the heaviest fighting was in parts of southeastern Myanmar, especially in areas where the Karen National Union (KNU) was active, and in southern Shan State. In contrast, Kachin State, in the north, was fairly quiet. A decade on, the situation had changed. Violent conflict between government armed forces and an alliance of four EAOs dominated the north of the country, while the KNU took part in the ongoing peace processes. Figure 2.2 shows the changes over this period by mapping the presence of internally displaced persons (IDPs) within Myanmar.

Many other areas of Myanmar are prone to conflict, although they may not be affected by violence at any given time. In 2016, for example, clashes occurred in Kachin State, involving the Kachin Independence Organization (KIO), the Tatmadaw, and other groups; across numerous parts of Shan State, where the Tatmadaw, EAOs, militias, and other government and armed group proxies were engaged in a range of disputes; in Kayin State, involving several smaller armed groups in less intense confrontations; on both sides of the border between Rakhine State and Chin State, where the Arakan Army (AA) had recently established a new presence; and in northern Rakhine State, where the Arakan Rohingya Salvation Army (ARSA) emerged as a new movement.

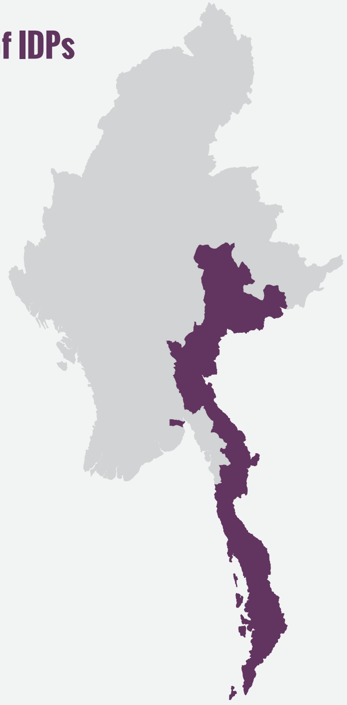
The patterns of violence associated with Myanmar's subnational conflicts are varied, at times involving heavy weapons as well as light arms. Repeated clashes between the Tatmadaw and EAOs during 2016 involved large ground forces seeking to gain control over territory in Kachin and northern Shan States. Both sides used artillery, and the Myanmar Air Force employed tactical air strikes. Elsewhere, conflict has been characterized by small arms fire between mobile armed Tatmadaw and nonstate armed patrols operating in rural areas, along with occasional attacks on strategic sites.

A clear correlation between altitude and subnational conflict is revealed when elevation and conflict data are overlaid (figure 2.3). Armed clashes and EAOs are most prevalent in highly mountainous townships, where the guerilla tactics that many EAOs adopt tend to be more effective, and where EAOs are able to maintain close relationships with the local population. In most lower and typically flatter terrain, the Tatmadaw dominates militarily, and the central state has been able to expand its authority.

FIGURE 2.2

Subnational conflict in 2006 and 2016: townships hosting internally displaced people documented by humanitarian assistance organizations[23]

Presence of IDPs
2006



Presence of IDPs
2016

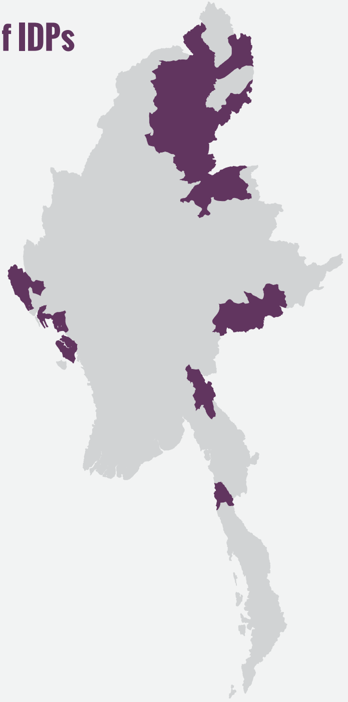
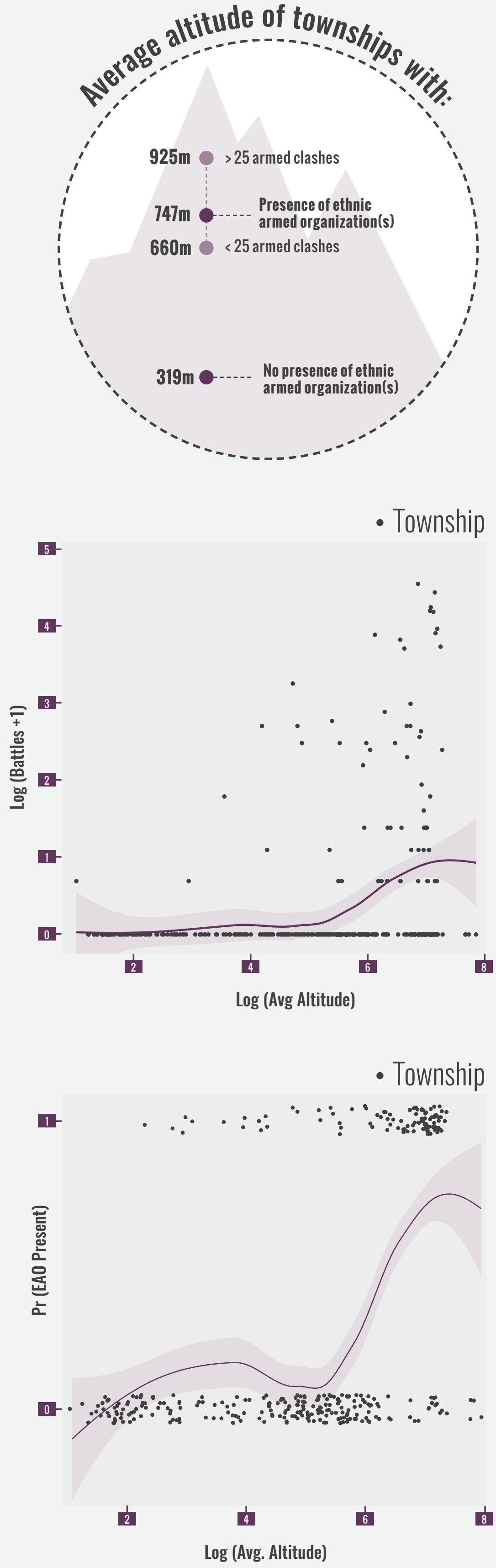


FIGURE 2.3

Correlates of altitude and conflict (armed clashes, presence of EAOs)[24]



Across the country, local conflict contexts are complicated by the variety of groups involved (figure 2.4). Different sites of conflict may involve any combination of border guard forces, militia, and other proxies, as well as EAOs and the Tatmadaw. Although a majority of clashes involve Tatmadaw forces or their affiliates, direct confrontations between two or more EAOs are also common.

Subnational conflict and violence in Rakhine State

Subnational violence in Myanmar typically occurs between identifiable armed groups, including the Tatmadaw, rather than between civilian members of local communities. Communal violence, by contrast, involves ethnic or religious groups at the local level. Rakhine State demands specific and separate attention due to its interplay of subnational conflict between armed groups with communal violence. Understanding Rakhine State's deep-seated tensions and their links with subnational conflict is vital for national and international bodies seeking to end a vicious cycle of violence and human rights abuses.

Center-periphery tensions exist between both the government and the ethnic Rakhine population, and the government and Muslim populations in Rakhine State who self-identify as 'Rohingya.' [25] Those self-identifying as Rohingya are regarded by many in Myanmar as non-nationals or illegal immigrants, denied equal rights in practice, and by law due to their uncertain citizenship status. They are subjected to tight travel restrictions, constraints on political association, and other stringent measures.[26]

These center-periphery tensions contribute to conflict between ethnic Rakhine and Muslim populations. In 2012 violence erupted between ethnic Rakhine Buddhists and Muslims in central parts of Rakhine State, leaving over 100,000 displaced and largely confined to camps. Tensions persisted and, amid repeated protests, most Muslims in Rakhine State, especially self-identified Rohingyas, were barred by the government from voting in the 2015 elections. In October and November 2016, a series of attacks on security forces in northern parts of Rakhine State were carried out by a new armed group claiming to represent Rohingya, the Arakan Rohingya Salvation Army. The Tatmadaw response to these attacks was rapid and severe, targeting the local population in an effort to halt the attacks and rupture their support base.[27] By July 2017, when research for this report was completed, violence and destruction of private property had led to thousands of people fleeing across the border to Bangladesh.[28] Human rights organizations cited documented evidence of beatings, killings, and rape.[29]

The roots of violence in Rakhine State lie not only in communal violence, policy discrimination, and harsh government security measures but also in the subnational claims of EAOs to govern territory and to contest the authority of the Tatmadaw. As elsewhere in the country, the struggle of EAOs, local political parties, and local activists in Rakhine State is primarily against perceived exploitation and misrule by the central government. Fear and animosity between local ethnic groups is particularly strong in Rakhine State, but is also found in other areas affected by subnational conflict.[30] Two Rakhine EAOs, the Arakan Liberation Party and the Arakan Army, are present in Rakhine State.

Rakhine political leaders fear that the presence of a large Muslim minority in Rakhine State will frustrate their long-term ambitions for greater autonomy. They can point to separatist territorial claims by Muslims in northern parts of the state, where the Rohingya constitute a majority of the population. These claims date back to the 1950s, when Rakhine separatists were also seeking territorial control. The Government of Myanmar suppressed both groups.[31]

Anti-Muslim sentiment across Myanmar has occurred alongside tensions in Rakhine State and generated space for Rakhine activists to pursue their aims, at times through violent means. The tense environment was useful for some Rakhine leaders who wanted to ensure that their claims to greater autonomy, now at least partly attainable through the ballot box, would not be diluted by the votes of Muslims. Domestic or international efforts to extend citizenship and voting rights, or even to recognize the term Rohingya, encounter a vehemently negative response from many Rakhine leaders and their sympathizers.

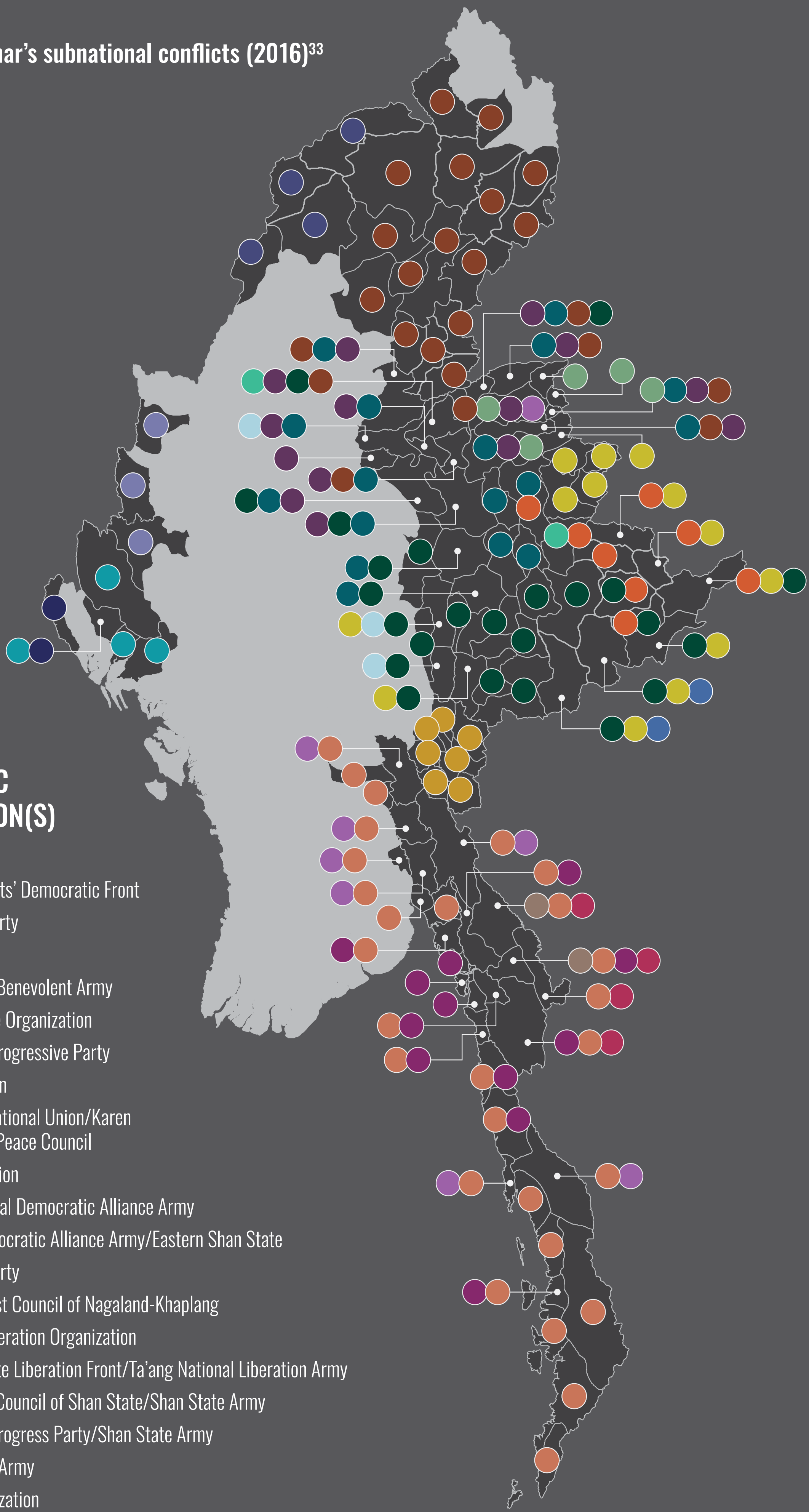
2.2 THE ROOTS OF SUBNATIONAL CONFLICT

Prior to British colonial rule, the region that is now Myanmar experienced repeated conflicts. Kingdoms and chieftains challenged both each other and the rulers of fiefdoms outside the borders drawn by the colonizers in the late 19th century. There was also extensive interaction among different groups and societies, especially the urban and royal classes.[32] Today, Myanmar's different ethnic groups offer competing versions of this history, typically basing current political aspirations on a mythical time when their own people lived homogenously and at peace among themselves.

Under British rule, Burma (later officially called Myanmar) was never managed as a single political unit. It was administratively divided into Burma Proper, which covered the ethnic Bamar heartlands and surrounding areas, and the mostly non-Bamar Frontier Areas. The latter, which covered most but

FIGURE 2.4

Armed groups in Myanmar's subnational conflicts (2016)[33]



PRESENCE OF ETHNIC ARMED ORGANIZATION(S)

- ● **AA**: Arakan Army
- ● **ABSDF**: All Burma Students' Democratic Front
- ● **ALP**: Arakan Liberation Party
- ● **CNF**: Chin National Front
- ● **DKBA**: Democratic Karin Benevolent Army
- ● **KIO**: Kachin Independence Organization
- ● **KNPP**: Karenni National Progressive Party
- ● **KNU**: Karen National Union
- ● **KNU/KNLA-PC**: Karen National Union/Karen National Liberation Army-Peace Council
- ● **LDU**: Lahu Democratic Union
- ● **MNDAA**: Myanmar National Democratic Alliance Army
- ● **NDAA ESS**: National Democratic Alliance Army/Eastern Shan State
- ● **NMSP**: New Mon State Party
- ● **NSCN-K**: National Socialist Council of Nagaland-Khaplang
- ● **PNLO**: Pa-Oh National Liberation Organization
- ● **PSLF/TNLA**: Palaung State Liberation Front/Ta'ang National Liberation Army
- ● **RCSS/SSA**: Restoration Council of Shan State/Shan State Army
- ● **SSPP/SSA**: Shan State Progress Party/Shan State Army
- ● **UWSA**: Uniterd Wa State Army
- ● **WNO**: Wa National Organization

BOX 2.2
Key features of Mynmar's armed groups

- Myanmar's ethnic armed organizations typically operate as the military wing of a political organization. The Kachin Independence Army, for example, is the military wing of the Kachin Independence Organization, while the Shan State Army (North) is the military wing of the Shan State Progress Party. These political bodies have not been able to contest government elections.
- Almost all armed organizations are affiliated with a specific ethnic group. Some appeal to more than one religious affiliation (typically both Buddhist and Christian). Splits and splinters within armed organizations sometimes occur along local ethnic, religious, linguistic, or geographic lines.
- Over many years of conflict and periods of ceasefire, some groups have folded but other, often similar, armed organizations have tended to spring up in their place. This shows how local dynamics evolve but the overall structure of the conflict has remained intact.
- Larger ethnic armed organizations have significant administrative as well as military power. They hold territory that has never been controlled by the central government and operate their own quasi-states that raise revenues, build roads, train teachers, and administer local justice.[34]
- Twenty-three border guard forces and fifteen People's Militia Forces are paramilitary groups integrated with the Tatmadaw and are not categorized as EAOs. Their degree of independence varies. Other small government militia exist across Myanmar and are more prevalent and powerful in subnational conflict areas. One report records 396 different militia in northern Shan State alone.[35]

not all of the areas that are sites of subnational conflict today, were under less direct control, with traditional leaders maintaining day-to-day authority.[36]

Burma's emergence as an independent nation followed the disruption and violence of World War Two. The independence movement was led by General Aung San, father of State Counsellor Aung San Suu Kyi. He and most other prominent campaigners belonged to the Bamar majority. Tensions existed from the new nation's birth over the shape of government institutions and the degree of autonomy that would be accorded to ethnic leaders from different parts of the country.[37]

Burma achieved independence in January 1948, but the country was already descending into civil war. Various leaders began leftist insurgencies, and conflict broke out between the state and the KNU. Pa-O, Mon, Rakhine,[38] and Mujahadin movements also started up, and the security situation rapidly deteriorated across large swathes of Burma.

The government's armed forces gradually grew in capacity over the subsequent years. Conflicts subsided in some areas but expanded in others, including Shan State, where the central government supplanted the power of traditional local leaders. In 1962, a coup saw General Ne Win assume power and establish a national military government. Instability and the associated threat to national unity were cited as justifications for the takeover at the time and repeatedly over subsequent years.

The military government followed a strong nationalist line, representing ethnic armed groups as misguided proxies of foreign governments. Harsh counter-insurgency tactics increased hostility and resentment. From the 1960s, under the Four Cuts strategy, entire ethnic communities were forcibly relocated to territories under government control.[39]

The Tatmadaw benefited from local alliances with splinter factions of EAOs and by the late 1970s had made significant territorial gains. Researchers and campaigners have documented the impacts of Tatmadaw campaigns on civilians under the military government, providing evidence of widespread destruction of property, the use of forced labor and human shields, extortion or irregular taxation, and physical and sexual abuse.

Such acts remain a central grievance among non-Bamar societies in conflict-affected areas. Civilians have continued to suffer: between 1996 and 2012, The Border Consortium estimated that more than 3,600 villages were abandoned, relocated, or destroyed in southeastern Myanmar and southern Shan State.[40]

The Tatmadaw were the dominant political force in Myanmar for over fifty years, suppressing large-scale mass protests in 1988 and 2007. Yet, gradual changes were taking place as military leaders set about establishing a new constitution in 1993, eventually adopted in 2008. The constitution offered space for democratic elections and independent political parties, while also guaranteeing the Tatmadaw a political role and exemption from civilian oversight.

Since these changes, the Tatmadaw has made some efforts to operate according to international norms and standards, for instance by inviting greater UN oversight of its efforts to end the recruitment of underage soldiers. Yet, widely publicized allegations of abuses of civilians have continued in Shan State, Rakhine State, and elsewhere. EAOs have also been accused of adopting tactics that harm civilians. For example, attacks on the town of Laukkai, in northern Shan State, in 2017 burned down homes and businesses, caused civilian casualties, and forced an estimated 20,000 people to flee to China.[41]

Ceasefires and economic change

The early 1990s saw some major national policy changes. Myanmar's economy was partly liberalized, leading to increased interest in the abundant natural resource wealth found in many contested areas. A series of ceasefires (eventually totaling over forty different agreements)[42] were negotiated with individual armed groups, allowing them, to varying degrees, to keep their weapons and some territorial control.[43]

Companies with connections to the Tatmadaw or EAOs were well positioned to obtain commercial concessions and generate significant wealth from mining, timber, plantations, and other businesses. Cynicism grew over ceasefires, which appeared to offer economic benefits to the leaders of the military and former armed groups while the wider population gained little, and political concessions were never seriously considered.[44] Violence has continued in areas where ceasefires were not signed or subsequently collapsed, leading many to feel that these agreements enabled the Tatmadaw to press ahead with their national security objectives while avoiding simultaneous fights on multiple fronts and blocking alliances among potential opponents.

The 2008 Constitution stated that all armed groups in Myanmar should be under the command of the Tatmadaw. The government sought to follow this stipulation by transforming all of the EAOs operating under ceasefires into border guard forces. Most EAOs refused this demand and in 2010 the government annulled the ceasefires. The intensity of violence increased.

Soon after taking office in 2011, President Thein Sein took swift steps towards a new peace process alongside other political and economic reforms. Freely contested by-elections in 2012, the release of political prisoners, relaxation of media censorship, and new economic policies secured an end to many sanctions imposed by Western nations and led to a wave of international development support.[45] Visits by international leaders including Barack Obama and Myanmar's more active role in ASEAN, including successfully chairing ASEAN in 2014, helped rehabilitate the country's international image.

New bilateral ceasefires were reached with fourteen EAOs, many of them building on existing agreements.[46] Hope of progress towards peace grew as the government agreed to put political negotiations firmly on the table and for the first time to talk with EAOs collectively, including those it was actively fighting. The government and EAOs began discussions over an inclusive ceasefire agreement designed to pave the way for political dialogue.

After three years of negotiation, the Nationwide Ceasefire Agreement (NCA) was signed in October 2015 by the Tatmadaw and eight EAOs. It had been hoped that at least half a dozen other armed organizations who had negotiated the text would sign too, but some were excluded by the government, and others then chose not to join, in solidarity and in response to ongoing Tatmadaw offensives. Confidence had also been damaged by a government statement that only those groups signing the NCA would be allowed to join the subsequent political dialogue.

International Factors

Through the 1990s and 2000s, Western nations supported opposition movements calling for regime change and international legal action against the junta leaders. Western funding helped establish hundreds of political and humanitarian organizations, many of them based in Thailand near the border with Myanmar.

Myanmar retained closer links with neighboring countries, especially China, and joined the Association of Southeast Asian Nations (ASEAN) in 1997. From 2011, President Thein Sein moved Myanmar away from dependence on China and successfully courted Western governments. Following the National League for Democracy's election victory, State Counsellor Aung San Suu Kyi looked to maintain good relations with China and visited Beijing before travelling to the United States.

China is Myanmar's largest trading partner.[47] Natural gas exports to China provide Myanmar's government with around 15-20% of its revenues.[48] The Chinese Government has maintained close military relations with the Tatmadaw, and has a strategic interest in keeping Myanmar as a partner.

Subnational conflicts, especially those close to the China-Myanmar border, present a significant policy challenge for China. As well as its links with the Tatmadaw, the Chinese government continues to manage long-term relationships with EAOs along the common border. These range from funds donated by individuals in China to the provision of heavy weaponry.[49] While the armed presence of EAOs creates a useful buffer zone and presents opportunities for policy leverage, China is also concerned about protracted violence that damages trade and risks spreading instability. China has supported Myanmar's peace processes with funds and diplomacy, recognizing that progress is likely to be slow.[50] Chinese authorities have also brokered informal talks to end immediate hostilities and pressured ethnic armed organizations to participate in formal peace dialogue.[51]

The status of peace processes in mid-2017

In November 2015, the National League for Democracy won the election in a landslide and soon committed to make the peace process its top priority, claiming, "We can do nothing without peace in our country." [52] After taking office in March 2016, the government pledged to continue the existing process.[53] In addition, it established its own Peace Commission and reorganized the Myanmar Peace Center as the National Reconciliation and Peace Center, with some staff remaining and others replaced. It also established a new body for coordinating peace-support aid, called the Joint Coordination Body.

In August 2016 and May 2017 the government convened the first two '21st Century Panglong Union Peace Conferences', named to evoke the sentiments of ethnic unity symbolized by the Panglong Conferences of 1947.[54] The new conferences carried great symbolic significance, representing the first broad-based political negotiations explicitly aimed at achieving "a union based on the principles of democracy and federalism," as demanded by ethnic political movements since before independence.[55] They were broadcast live on television and helped to stimulate a crucial public discourse around issues considered dangerously taboo under previous regimes.

However, progress has been hindered by ongoing violence, a lack of inclusion, and a growing divide within the main EAO bloc. The Tatmadaw has maintained that only NCA signatories may have voting rights at the peace conferences, while making it difficult for three of the earlier barred organizations to sign the ceasefire agreement. At the same time, even in areas where the NCA is in place, the code of conduct has been vague, monitoring systems have been established only slowly and have been weak in the face of ongoing violence, and proposed cross-party activities have yet to be initiated.[56]

Many EAOs have remained skeptical. Most notable is the largest EAO, the United Wa State Party (UWSP), which has always stated it would not sign. The UWSP has emerged as a leader of a bloc of EAOs in Kachin and northern Shan States that includes four groups in open conflict with the Tatmadaw.[57] In 2016, the bloc formed the Federal Political Negotiation and Consultative Committee and explicitly rejected the NCA process, proposing a new architecture and tabling ambitious political demands. To date, negotiations with this bloc have taken place in secrecy or on the side-lines of formal talks.

2.3 A FRAMEWORK FOR UNDERSTANDING MYANMAR'S SUBNATIONAL CONFLICTS

Analysis of Myanmar's subnational conflicts shows how they are driven both by wider, national-level dynamics and by local factors that vary from area to area (figure 2.5). Addressing the national level of contestation first, this section illustrates how it relates chiefly to the structure of Myanmar's central state.

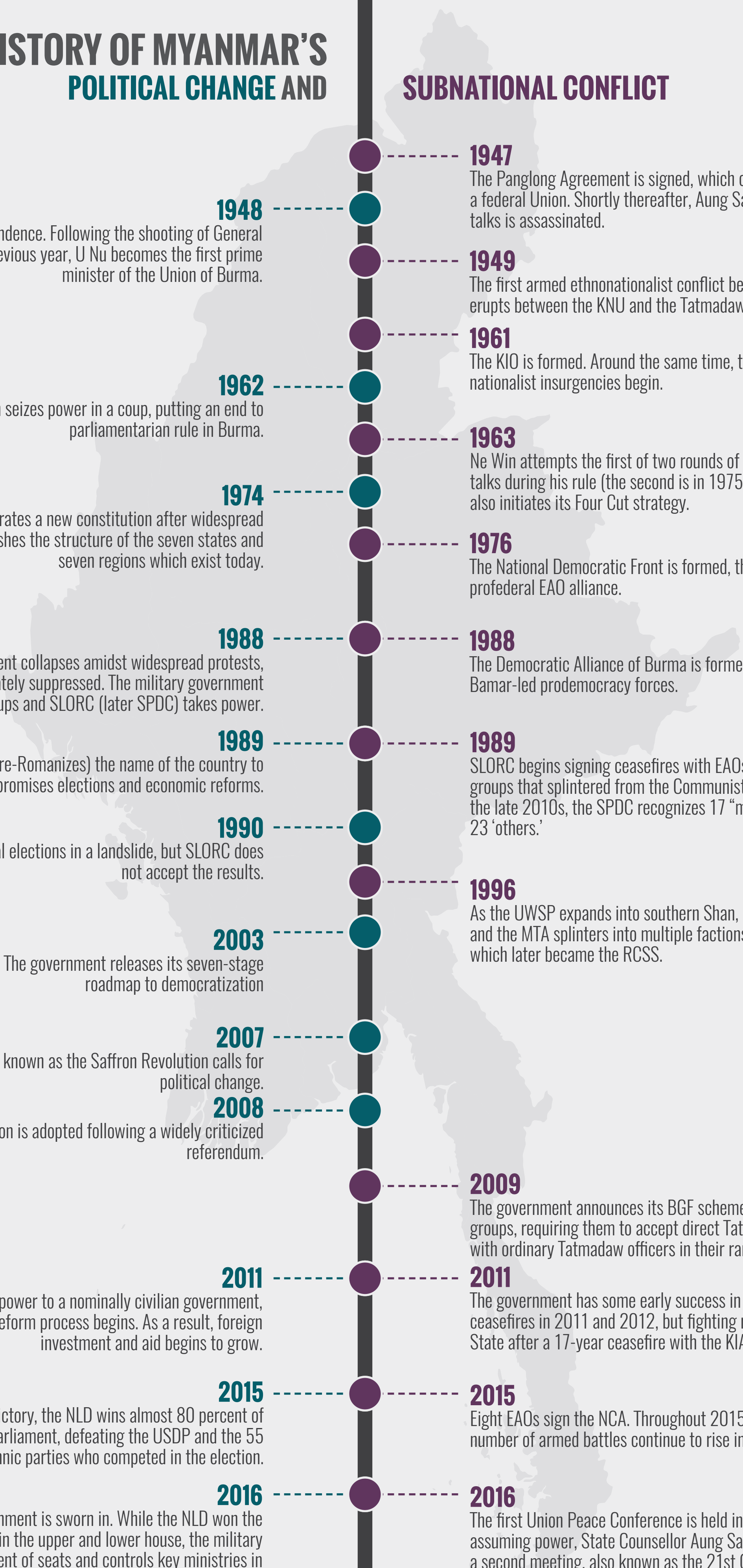
The most prominent national challenge to existing authority in recent decades has been the struggle over the political model that the country should follow. Former opposition leader Aung San Suu Kyi and the National League for Democracy challenged military authority by campaigning with some success for the elimination of the military-run system, contesting a fair election, and establishing a democratic government. Earlier challenges came from various groups and factions including the Communist Party of Burma and parts of the government ousted in 1962, as well as organizations based on ethnic affiliation.[58]

Although EAOs directly contest the government's authority in areas they regard as their ethnic homelands, some have aspired since Myanmar's independence to change the national state structure in order to redress perceived biases. EAO leaders and many others in the country, especially in ethnic minority areas, have never fully accepted government authority, in particular the power assumed by the armed forces. Three interrelated forms of contested authority can be identified.

Civil vs. military authority

The Tatmadaw has played a strong political role throughout Myanmar's existence as an independent nation. Despite reforms that have ceded significant

A BRIEF HISTORY OF MYANMAR'S POLITICAL CHANGE AND SUBNATIONAL CONFLICT



1948
Myanmar gains independence. Following the shooting of General Aung San the previous year, U Nu becomes the first prime minister of the Union of Burma.

1962
General Ne Win seizes power in a coup, putting an end to parliamentarian rule in Burma.

1974
Ne Win inaugurates a new constitution after widespread consultation; it establishes the structure of the seven states and seven regions which exist today.

1988
The Socialist government collapses amidst widespread protests, which are ultimately suppressed. The military government regroups and SLORC (later SPDC) takes power.

1989
SLORC retranslates (or re-Romanizes) the name of the country to Myanmar and promises elections and economic reforms.

1990
The NLD wins national elections in a landslide, but SLORC does not accept the results.

2003
The government releases its seven-stage roadmap to democratization

2007
A major popular uprising known as the Saffron Revolution calls for political change.

2008
A new constitution is adopted following a widely criticized referendum.

2011
The military hands power to a nominally civilian government, and an extensive reform process begins. As a result, foreign investment and aid begins to grow.

2015
In a landslide victory, the NLD wins almost 80 percent of contested seats in parliament, defeating the USDP and the 55 ethnic parties who competed in the election.

2016
The NLD-led government is sworn in. While the NLD won the majority of seats in the upper and lower house, the military retains 25 percent of seats and controls key ministries in accordance with the 2008 Constitution.

1947
The Panglong Agreement is signed, which outlines a vision for a federal Union. Shortly thereafter, Aung San who attended the talks is assassinated.

1949
The first armed ethnonationalist conflict begins when the fighting erupts between the KNU and the Tatmadaw in Yangon.

1961
The KIO is formed. Around the same time, the first Shan nationalist insurgencies begin.

1963
Ne Win attempts the first of two rounds of unsuccessful peace talks during his rule (the second is in 1975). In 1963, the military also initiates its Four Cut strategy.

1976
The National Democratic Front is formed, the first major profederal EAO alliance.

1988
The Democratic Alliance of Burma is formed, uniting EAOs and Bamar-led prodemocracy forces.

1989
SLORC begins signing ceasefires with EAOs, starting with new groups that splintered from the Communist Party of Burma. By the late 2010s, the SPDC recognizes 17 "major" ceasefires and 23 'others.'

1996
As the UWSP expands into southern Shan, Khun Sa surrenders, and the MTA splinters into multiple factions, including the group which later became the RCSS.

2009
The government announces its BGF scheme for all ceasefire groups, requiring them to accept direct Tatmadaw command, with ordinary Tatmadaw officers in their ranks.

2011
The government has some early success in negotiating bilateral ceasefires in 2011 and 2012, but fighting resumes in Kachin State after a 17-year ceasefire with the KIA breaks down.

2015
Eight EAOs sign the NCA. Throughout 2015 and 2016, the number of armed battles continue to rise in the northeast.

2016
The first Union Peace Conference is held in January. After assuming power, State Counsellor Aung San Suu Kyi chairs a second meeting, also known as the 21st Century Panglong Conference, in August.

power to elected civil authorities under the 2008 Constitution, the Tatmadaw has maintained political influence: control over three powerful ministries, including core administrative and security bodies; 25 percent of the seats in the national parliament and in state and region parliaments; and constitutionally-guaranteed autonomy in security and defense affairs. Tatmadaw influence is particularly pervasive in conflict-affected areas, where military-affiliated companies often dominate local economic opportunities.

Many decades of security-focused central decision-making and the pursuit of military victory have polarized the positions of EAOs and the Tatmadaw, hampering efforts to find any lasting form of peace settlement. While EAOs and other ethnic leaders have typically aimed for a federated union of equal states, in which they should each enjoy self-determination, the Tatmadaw has historically seen such notions as threats to the solidarity and sovereignty of the nation.[59]

Ethnic armed conflicts in Myanmar have been driven by a vicious cycle of ongoing militarization and conflict, fed by disputes over the degree to which political and economic power should be centralized. Figure 2.6 illustrates these key dynamics. At the center lies the cycle of hardening positions and polarization. On the one hand, the Tatmadaw justifies its approach to warfare and its reluctance to decentralize power too quickly on the basis of continued ethnic militancy and illicit economic activities that threaten a descent of the country into 'chaos.' Meanwhile, EAOs justify armed resistance on the basis of continued Tatmadaw aggression and the deep centralization of political and economic power.

The outer circles in figure 2.6 illustrate specific aspects of the cycle. Protracted conflicts have led to the emergence of parallel governance systems under the control of armed organizations, which have become increasingly focused on guarding their autonomy. Meanwhile, the state and some EAOs have become dependent on resource revenues from contested areas, as have opportunistic individuals on both sides of the conflict.

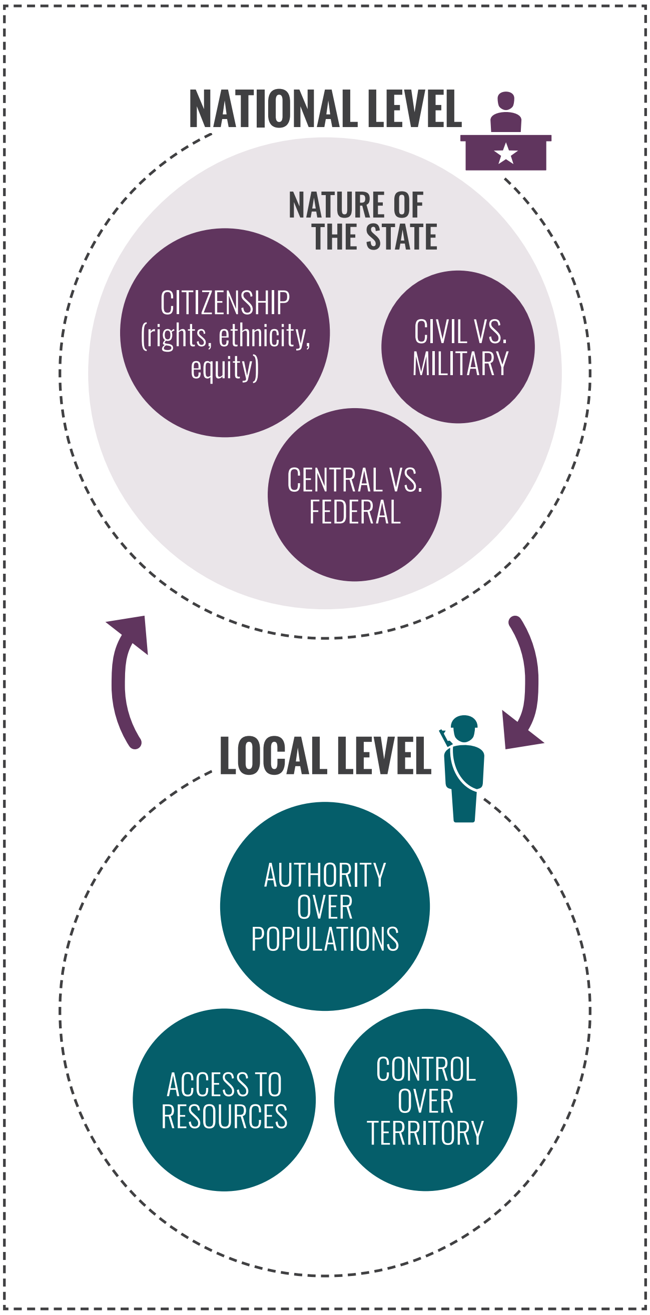
These public and private interests have raised the stakes in areas where authority is already disputed and the rule of law is limited. Central authority is generally weakest across Myanmar's extensive areas of remote, hilly terrain, which afford protection to many armed groups. The policies of neighboring countries and international powers have at times further hindered efforts to end conflicts, while loosely regulated borders have encouraged illicit trade that can further fuel local tensions.

Extent of decentralized authority

Most EAO leaders accept their respective areas as being part of the Union of Myanmar but seek a federal or more decentralized system. Their quarrel is with the way the country has been governed since independence, giving little authority or voice to those outside a small, centrally appointed group and offering little decision-making power to local leaders.[60] Under the military-led government, Myanmar's administrative and political structures became highly centralized.

The 2008 Constitution contained provisions aimed at devolving some fiscal, political, and administrative powers. Elected state and region parliaments were introduced along with some discretion over public spending. However, in practice the system remains overwhelmingly centralized and the changes have not

FIGURE 2.5
Framing subnational conflict



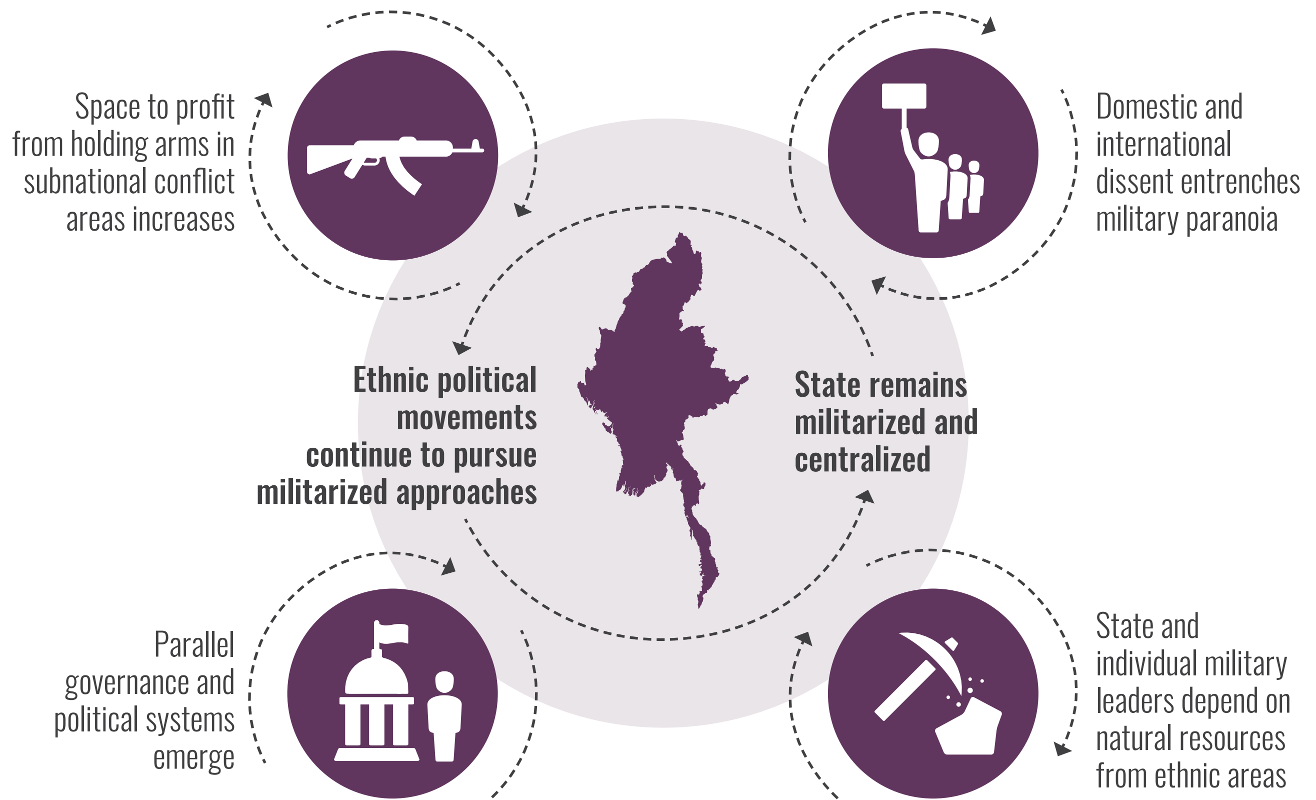
satisfied many ethnic leaders' demands for federalism. The chief ministers of every state and region, and the locally influential administrative heads of every township, are appointed from the capital, Naypyidaw. Local staff in line ministries typically must refer even minor decisions to officials from the capital.[61]

The nature of citizenship and inclusion

One hundred and eleven living languages are classified as indigenous to Myanmar.[62] In the ethnically named seven states, where the population is largely from minority groups, an average of 3.8 languages are spoken per township.[63] This rich diversity adds to the challenge of peacefully building national cohesion by establishing sufficient consensus to avoid long-term subnational conflicts. Across the country, there is only a limited sense of citizenship based on rights and responsibilities that transcend religious and ethnic divisions.
Ethnic divisions, greatly exacerbated during the colonial era, are cemented in law and in social norms in Myanmar, despite their contingent and often temporary nature.[64] Identity is strongly associated with territory, generating a strong basis for geographically defined claims to political power within areas regarded as the homelands of specific ethnic groups. This situation is most apparent in Rakhine State, where many ethnic Rakhine leaders regard any recognition of the term 'Rohingya' and related measures to extend citizenship as a threat to their own claims to greater autonomy for Rakhine State. The government does not count the group self-identifying as 'Rohingya' as one of the country's 135 'National Races', leaving over one million people with partial citizenship or none at all.[65]

As is common in subnational conflicts globally, EAO leaders and local activists have drawn on ethnic solidarity with the local population. They have also pointed to the subordination of local people and their common identity to the central state and ethnic Bamar people, or in some cases to other dominant ethnic groups. The rhetoric of ethnic leaders is often couched in strong nationalist language and uses symbols of ethnic identity such as language, a flag, or cultural practices. Government efforts to expand the role of the state, even in ostensibly beneficial fields such as education and health, can arouse strong opposition when they are perceived as supplanting these local identities.

FIGURE 2.6
The subnational conflict cycle


Space to profit from holding arms in subnational conflict areas increases
Domestic and international dissent entrenches military paranoia
Ethnic political movements continue to pursue militarized approaches
State remains militarized and centralized
Parallel governance and political systems emerge
State and individual military leaders depend on natural resources from ethnic areas

The military-led government took some steps to incorporate ethnic diversity into the political system. For example, the lower house of parliament is called the House of Nationalities (*Amyotha Hluttaw*), in theory recognizing the various ethnic nationalities that make up the Union of Myanmar. Elected state and region parliaments were also established under the 2008 constitution. To many ethnic leaders, such measures are token gestures or disingenuous efforts to incorporate them into the existing order.[66] Compared with the significant compromises made to address subnational and ethnic tensions in many other ethnically diverse nations, Myanmar's political system is still centrally defined, and powerful positions are dominated by male, Bamar Buddhists.

Recent democratic reforms have opened up some national and local political space. Some independent ethnic political parties had some success in the 2015 elections, even if their gains were overshadowed by the National League for Democracy's overwhelming victory and by the constitutional provision allocating 25 percent of all seats in parliament to the military.[67] The results may have indicated the potential for other ethnic leaders to forsake armed conflict and pursue a peaceful approach to minority rights, should more power be decentralized in future.

At the same time, the popularity of the State Counsellor Aung San Suu Kyi's National League for Democracy in many minority areas shows that ethnic identity may not override all other considerations among the voting public. This is especially important in Myanmar, where great ethnic diversity and overlapping territorial claims underscore the need for shared values and political systems to maintain peace.

> “THE STATE AND EAOs ALIKE SEEK AUTHORITY OVER LOCAL POPULATIONS. BOTH SEE GOVERNANCE OF THEIR OVERLAPPING NATIONAL AREAS AS THEIR CENTRAL RESPONSIBILITY.”

2.4 LOCAL-LEVEL DYNAMICS

While subnational conflicts are shaped by the broader national setting, they also reflect diverse local contexts. Conditions on the ground can vary over small distances and local conflict dynamics often involve a range of competing groups. Over time, most EAOs in Myanmar have repeatedly splintered or dissolved and reformed, leading to a confusing array of acronyms and agendas. EAOs and the Tatmadaw do not have consistent relations; local commanders of armed groups may have a good mutual understanding with Tatmadaw personnel in one area, while nearby commanders might be involved in violent clashes.

In addition to EAOs and the Tatmadaw, many areas are also home to Tatmadaw-backed paramilitary organizations, such as border guard forces and militias. These forces typically report to the Tatmadaw yet also follow their own economic and political interests. Some armed groups are highly centralized, while others represent coalitions of disparate commanders with varied agendas. Religious leaders, businesses, diaspora groups, overseas advocacy campaigns and foreign governments also influence conflicts through their ties to armed leaders from all sides. Competing interests of armed groups and the local complexity of conflict dynamics are highlighted below in box 2.3.

The strategic aims of both the Tatmadaw and most EAOs involve three, overlapping local-level objectives.

Authority over populations

The Government of Myanmar and EAOs alike seek authority over local populations. Both see governance of their overlapping 'national' areas as their central responsibility. In addition, maintaining influence over populations provides crucial revenues and strategic and tactical benefits.

How armed actors influence populations ranges from outright coercion and intimidation to genuine attempts to provide for their welfare and develop mutual bonds. Both the state and EAOs offer public services such as health care and education, in part to build influence over populations and to develop patronage ties that are assumed to foster loyalty.

Control over territory

Territorial control enables groups to strengthen military positions and consolidate authority. For the Tatmadaw, it is part of long-term efforts to maintain internal security and manage national borders. Ethnic armed groups seek to build influence, raise funds, and limit security threats by controlling both territory and the populations residing there. Territory surrounding economic assets such as roads, dams, power lines, or border crossings is often vigorously defended, and locations such as hilltops can offer significant tactical advantages.

Access to resources

This third overlapping aim also affects local conflict dynamics. While Myanmar's subnational conflicts are not driven solely by economic interests, the great natural resource wealth found in many contested parts of the country is a significant factor, especially at the local level. Natural resources and control over trade routes can generate wealth to sustain armed groups or support the Tatmadaw.

Companies affiliated with EAOs or with the Tatmadaw generate significant wealth from many locations. The areas surrounding lucrative mining concessions often host EAOs, Tatmadaw units, and paramilitary forces. In Shan State and elsewhere, various EAOs and paramilitary groups are widely accused of association with drug production and trafficking.[68] Access to these and other resources can be a means to achieve wider ambitions, although for some groups and individuals on all sides it has become an end in itself.

BOX 2.3
Understanding local complexity: Hlaingbwe Township, Kayin State

Northern parts of Hlaingbwe Township, Kayin State, offer an example of complex conflict dynamics at the local level, and show how violence can be triggered by a wide range of factors. In addition to the KNU and government authorities, the area hosts factions of the Democratic Karen Buddhist Army (DKBA)—which splintered from the KNU in 1995—and the group's powerful patron, U Thuzana, a Buddhist monk. To the west of the area is Myaing Gyi Ngu, 22 wards and villages that are under his unofficial administrative authority. Security in Myaing Gyi Ngu is provided by two border guard forces formed from the DKBA. On the township's eastern border with Thailand is the KNU headquarters, while the area also contains parts of two distinct KNU districts and corresponding brigades.

The area was the site of violence in 2012, 2014, and again in October 2016, when the Tatmadaw and border guard forces seized control of a road connecting Myaing Gyi Ngu to the border from a recently splintered faction of the DKBA. The faction was made up of three rogue DKBA commanders. One, a former border guard force commander named Bo Pi, had enjoyed nearly exclusive control of the road since 2012 with the permission of U Thuzana, who had spearheaded the road's construction.[69] The other two commanders had recently resettled in the area after being attacked by the Tatmadaw and banished by DKBA headquarters for violating taxation arrangements agreed between all other conflict parties.

Their decision to reposition to northern Hlaingbwe and ally with Bo Pi, amid numerous other disputes, provided the Tatmadaw and border guard forces with a perfect opportunity to gain control over the much-coveted road and territories adjacent to some of the KNU's most autonomous territory. Bo Pi's control of the road had long hindered access to the area and affected the construction of the Hatgyi hydropower dam, a joint project of the Thailand and Myanmar governments. In mid-2017, thousands of local residents remain displaced due to the continued threat of landmines along the road, and because U Thuzana has advised that it is not yet safe for them to return.

Understanding authority in contested areas

Most areas affected by subnational conflict are subject to mixed systems of control and do not display common features of conventional warfare. Often there are no clear front lines; competing organizations seek influence over people and access to strategic sites rather than full territorial control. In many cases, protracted ceasefires have led to locally negotiated agreements governing how armed forces operate in proximity to one another. These informal ways of working often cover civilian concerns, such as commerce and essential services.

Ongoing tensions that do not spill over into armed conflict can still have significant impact on local politics and development. Tensions affect emerging patterns of local politics and a range of development-related issues such as the scope for trade and investment, basic service delivery, and the production and trafficking of narcotics.[70]

Most areas affected by subnational conflict in Myanmar operate under some form of mixed authority. For example, in many conflict-affected parts of southeastern Myanmar, the government typically operates some basic public services, yet visiting government officials may need to inform EAOs in advance, or even ask permission, to visit. Residents may have the choice of sending their children to an EAO-affiliated school or to one run by the government. Parallel systems for land registration often exist, and villagers may find themselves obliged to pay road tolls or local taxes to several armed groups. Box 2.4 compares three different parts of Shan State that have received some extra devolved rights as Self-Administered Areas, illustrating that local-level relationships between authorities can be varied and complex.

BOX 2.4
Three conflict-affected areas of Shan State

STRONGER GOVERNMENT AUTHORITY AROUND INLE LAKE, SOUTHWESTERN SHAN STATE

Inle Lake is normally associated with tourism and vegetable farming rather than armed conflict. The ethnically diverse area is mostly peaceful, especially along the main roads and in popular tourist sites.

Yet, the area's leadership structure stems from a legacy of subnational tension involving several ethnic groups. In particular, some ethnic Pa-O leaders have successfully transitioned from armed conflict to political engagement. Through a ceasefire and alliances with the Tatmadaw, the Pa-O National Organization (PNO) emerged as a political force, returning four national and six state level members of parliament in the 2015 elections. The PNO also holds key positions in the local Pa-O Self-Administered Zone.

Conflict-related tensions persist in remote and hilly parts of the area. The PNO has ties to an armed militia, the Pa-O National Army, which controls significant areas in collaboration with the Tatmadaw and the police. Some parts of the Self-Administered Zone also host other EAOs. In remote areas, some farmers grow opium poppies.

Service delivery and local administration are generally provided through mainstream government channels. The PNO also runs the Parami Development Network, a separate body that has attracted foreign and domestic financial support. Parami officials stress that they aim to support all local residents regardless of their ethnicity, although their network is widely perceived as a Pa-O group.

The PNO's background and past links have generated controversy. A key founder, Nay Win Tun, has business interests in the jade mines of Kachin State and many other sectors. PNO leaders and militia leaders have also been accused of collusion in land seizures.[71]

BOX 2.4 (CONTINUED)

MIXED AUTHORITY IN THE PALAUNG SELF-ADMINISTERED ZONE

The Palaung Self-Administered Zone includes Mantong and Namhsan Townships. Ethnic Ta'ang (or Palaung) are officially the majority of the population. Shan, Kachin, and Lisu villages are also scattered across the region.

The Palaung State Liberation Organization (PSLO) signed a ceasefire in 1991 and disarmed in 2005. Government development initiatives for the area were then planned, and special self-administered status was later given to the area, but local residents complain that little changed in practice.

In 2009, former EAO leaders re-established their armed group as the Palaung State Liberation Front, with a military wing known as the Ta'ang National Liberation Army (TNLA).[72] They rapidly regained an active presence in rural areas, where the majority of the population resides. Conflict returned in 2012, and escalated in 2016-2017 when the Tatmadaw conducted repeated airstrikes and villages were burnt down. Many civilians fled their homes temporarily to avoid the fighting.

While the TNLA has not exerted strong control over territory, its influence and perceived legitimacy among the Ta'ang population is high. The TNLA has 12 civil departments, including taxes, health, roads and infrastructure, education, women, and development affairs.

The TNLA provides some services in remote Ta'ang villages, but despite ongoing armed conflict, it generally supports government services. The recent construction of new government roads is welcomed by the local population and the TNLA. The TNLA works to implement its own laws on drugs and the forced rehabilitation of drug users.

Government and TNLA representatives routinely liaise informally and often indirectly. In Namhsan town, ethnic Ta'ang nurses are trained by the national Ministry of Health to work in areas where there is high TNLA influence. Education follows the national Burmese language curriculum, although Ta'ang-language classes are provided at government schools through the Ta'ang Language Committee, a body supported and promoted by the TNLA.

DOMINANT EAO CONTROL IN THE WA SELF-ADMINISTERED DIVISION

The United Wa State Party maintains strong political, economic, and military control over most of the area that the government has defined as the Wa Self-Administered Division. The UWSP does not acknowledge the decision to create the Division or its status within Shan State.

The Myanmar Government has limited direct involvement in these areas, and little authority over the local population of around 550,000. Basic local administrative functions are carried out by the UWSP, who were barred from national elections in 2010 and 2015.[73]

Violent conflict has rarely broken out between the UWSP and the Tatmadaw. A ceasefire was signed in 1989, and the two sides have maintained relatively close links. In October 2016, the UWSP took over territory held by its neighboring

BOX 2.4 (CONTINUED)

ethnic armed organization, the National Democratic Alliance Army (NDAA).

The UWSP's known links to the narcotics trade have led to significant international criticism. Other commercial interests include large-scale tin mining and casinos catering mostly to Chinese visitors. Links with China stem not only from close geographical and ethnic ties, but also from leaders' earlier links with the Communist Party of Burma, which received Chinese support.

The UWSP at times assumes leadership role among ethnic armed groups in northern Myanmar. The group has not signed the NCA, but it has participated in other parts of the peace process. The UWSP does not seek independence from Myanmar, but rather the status of an ethnic state with high levels of autonomy.

Central government authority within contested townships tends to be strongest at specific sites of economic interest such as dams, mines, main roads, and urban areas. Life in larger towns, even within heavily contested townships, often appears superficially unaffected by conflict. Towns under government control have often attracted many migrants from other parts of the country, even when surrounding areas remain under the influence of an EAO. EAOs tend to be more influential in rural areas, where the government presence is weaker and the local population is often more sympathetic to their cause. Yet ethnic leaders may still see urban areas and other zones of government control as part of their national area. For example, they typically aspire to achieve greater autonomy over entire states through a future peace agreement or decentralization reforms.[74]

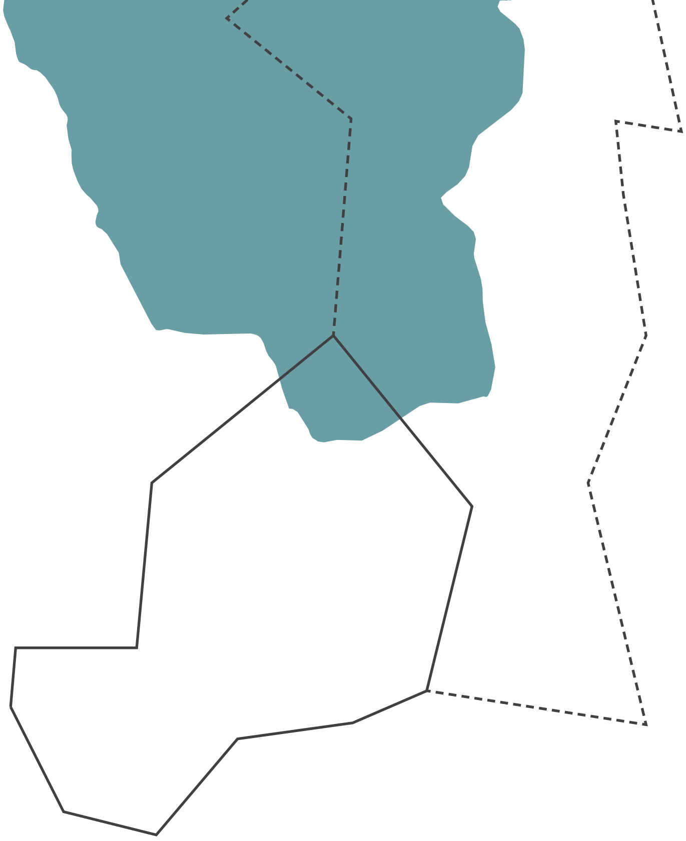
There are fewer areas where EAOs are the primary authority. The main ones are in areas connected to Myanmar's borders with China and Thailand, such as parts of northern Kayin State (mainly under KNU control), areas of northeastern Shan State (under UWSP and NDAA control), areas of Mon State and southern Kayin State (under NMSP control), and areas of eastern Kachin State (under KIO control). Smaller areas where EAOs are the dominant local authority also exist. They tend to be in hilly or forested terrain away from the major roads. While many are relatively remote, some armed organizations dominate territory fairly close to major towns and far from national borders.

In these areas, EAOs are dominant in both civil and military spheres. Their civil administrations operate public services, and departments of the Government of Myanmar have no parallel presence. In some cases, EAOs also control international border crossings. Areas where EAOs are dominant may share some features of mixed areas—the distinction is not absolute. Services may be provided by local NGOs that have good relations with the armed organization's civil administration. Border areas may have strong informal links with neighboring countries, using mobile phone networks and currency from Thailand or China. Many local residents, including leaders of EAOs, cross these borders regularly.

Paths to peace

The challenge of sustainably ending Myanmar's subnational conflicts is complicated both by local complexity and by entrenched tensions at the national level. Ceasefire agreements and other steps towards peace negotiations demonstrate how progress is possible, although background conditions and ongoing violent conflict show that there will be many obstacles ahead. The scope for peace depends inevitably on the potential for further alignment between the interests of senior politicians and Tatmadaw leaders, and those of EAO leaders.

This chapter provided a structure for analyzing Myanmar's varied and complex subnational conflicts by explaining how violent conflict and political contest turn on questions of governance, territorial control, and resources. The report now turns to consider the national and local effects of development processes and foreign aid provision on conflict.



Chapter 3

DEVELOPMENT AND MYANMAR'S SUBNATIONAL CONFLICTS

SUMMARY

There is no simple linear relationship between ending Myanmar's subnational conflicts and economic growth or improved living standards. Creating peace is much more complex than simply tackling underdevelopment in contested areas.

Despite recent improvements, poverty remains widespread across many parts of the country. Townships affected by conflict are on average only marginally poorer and less developed than other townships, particularly when Yangon, the commercial capital, is excluded. Conflict-affected townships demonstrate diverse patterns of human development—some exceed national averages, while others have the highest levels of poverty in the country.

Development interventions are never neutral. For decades, development was used to support wider aims of stabilization and security by Myanmar's military-led governments. Top-down development planning, poorly enforced regulations, and the extraction of economic resources by unaccountable leaders have played into conflict tensions.

Ceasefire periods in the past provided economic benefits to elites, while the wider population often gained little and political settlements usually failed. If not managed carefully, development during ceasefires carries high risks.

Myanmar's conflicts are not primarily about natural resources, but abundant natural resources have fueled them. In many contested areas, economic changes and increased natural resource exploitation have ratcheted up tensions, provoked rivalries, and provided the funds to sustain conflict.

Development interventions can never be entirely neutral: who delivers them, what form they take, and where they occur are inherently political. Viewed through the prism of Myanmar's subnational conflicts, development interventions by the government and others are often motivated in part by wider concerns relating to security and stability, expansion of state control in ceasefire areas, access to resources, and the legitimacy to govern in areas of Myanmar with large ethnic minority populations.

For many ethnic groups in Myanmar, the term development carries historical and political baggage. Development is perceived to have benefited the government and the military, business cronies, corrupt EAO commanders, and neighboring countries rather than the local populations, especially in areas affected by subnational conflict.

This chapter outlines prominent processes of development in Myanmar, exploring how they have interacted with, and sometimes helped fuel, subnational conflicts in the country. Section 3.1 outlines development patterns in subnational conflict areas, comparing them with parts of the country unaffected by armed conflict. It shows that there are few reliable or consistent relationships between the presence of conflict in a township and its level of development. Section 3.2 analyzes the use of development as a stabilization tool in conflict-affected areas, and then considers how local populations and EAO leaders perceive the associated changes. Section 3.3 explores the impact of natural resource exploitation, a prominent development process in Myanmar that has major implications for subnational conflict.

3.1 DEVELOPMENT AND SUBNATIONAL CONFLICT

Globally, policymakers have often assumed that sustained socioeconomic development will eventually transform conflict-affected societies, reduce violence, and improve stability. *The Contested Corners of Asia* found, however, that in subnational conflict environments across Asia the complex relationship between economic development and conflict generally defies these simple predictions.[75] Subnational conflicts do not necessarily decline as countries become wealthier, nor are they more easily resolved in democratic than in authoritarian political systems. The report found mixed levels of human development in subnational conflict areas. Some have significantly higher living standards and levels of affluence than national averages, yet others have poverty rates that are above national averages.[76] The report also demonstrated that while improving local living standards and enabling economic growth are important in their own right, achieving these objectives alone does not ensure a transition towards peace.[77] These findings resonate in Myanmar.

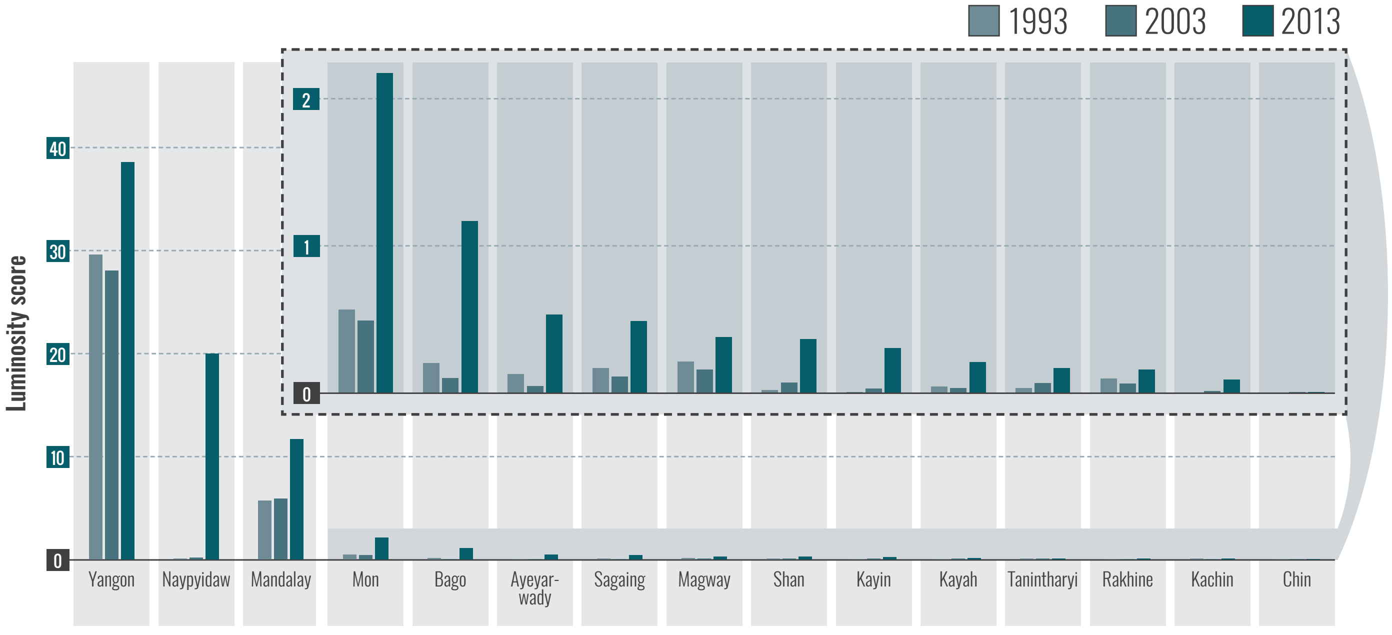
Development in Myanmar

Reliable statistics on Myanmar are scarce (see box 3.1). Available data show incremental improvements in socio-economic indicators from the early 1990s as the government undertook some market reforms, began to attract foreign investment, joined the Association of Southeast Asian Nations, and placed some emphasis on achieving development outcomes.[78] The government of President Thein Sein that took power in 2011 rapidly implemented further political and economic reforms, which convinced the European Union and later the United States to begin lifting the sanctions that had been imposed on the military regime. In 2012–2013, the economy grew at 6.5 percent due largely to increasing gas exploration and production, construction, and commodity exports.[79] The World Bank projects economic growth to average 7.1 percent per year from 2017 to 2020.[80]

Yet Myanmar still has the lowest human development index of any Southeast Asian country.[81] Governed by successive, closed military regimes from 1962, the country did not follow the export-led growth path of many other nations across the region in the late twentieth century. The government placed little priority on development objectives, at least until the 1990s, followed isolationist economic policies, and made limited investments in infrastructure, health, and education.

Different sources estimate that 25.6—37.4 percent of Myanmar's population lives below the national poverty line.[82] The highest levels of human development and economic activity are found in the center of the country—mainly around Yangon, Naypyidaw, and Mandalay. Poverty is highest in eastern parts of Shan, Rakhine, and Chin States. This is reflected in human development indicators from the 2014 national census, and confirmed by luminosity trends drawing on nighttime lights data from 1993 to 2013, a recognized proxy for economic activity (figure 3.1). Census data indicates that 32.4 percent of households nationally have access to electricity for

FIGURE 3.1
Nighttime lights (1993-2013)



Source: National Oceanic and Atmospheric Administration n.d.

some lighting, with many rural areas falling well below this average.[83]

Decades of underinvestment and poor maintenance have left Myanmar with a serious infrastructure deficit. Although President Thein Sein's government made road building a priority of its national unification strategy,[84] an estimated 20 million people, or 37 percent of the population, lack basic road access. The most severe gaps in road access are in ethnic states, particularly Chin and Kachin.[85] The Government is also giving more attention to public services. Since 2011, health and education expenditure has increased from 4.6 percent of the total government budget to a planned 13.6 percent for 2017-2018.[86]

In order to analyze wider patterns of development across Myanmar's contested areas, The Asia Foundation's research team generated a township-level development index based primarily on human

BOX 3.1
Development Data in Myanmar

THE 2014 NATIONAL CENSUS

For decades, analysts and decision-makers in Myanmar have been constrained by a lack of reliable national statistics. In 2014, the Government of Myanmar, with financial support from donors and technical support from the UN Population Fund (UNFPA), embarked on the first census in over thirty years. The census was flawed and steeped in controversy, yet it provides the most comprehensive record of social and economic living conditions in Myanmar's recent history.[87]

The most significant gap in census data comes from Rakhine State, the site of recent violence and heightened ethnic tension. UNFPA stated that "*an estimated 1.09 million people who wished to self-identify as Rohingya were not enumerated*." [88] Elsewhere in Myanmar, armed groups did not permit access to some conflict-affected areas, although fewer people were excluded than in Rakhine State: 4.43 percent of the estimated population of Kayin State and 2.75 percent in Kachin State were not enumerated.[89]

Where census data is used in this report, steps have been taken to verify and triangulate sources and to ensure, where possible, that the enumeration gaps in Rakhine State and elsewhere do not distort findings.

THE ASIA FOUNDATION'S TOWNSHIP DEVELOPMENT INDEX & INDICATORS

The Asia Foundation generated a township development index that measures multi-dimensional poverty. The index synthesizes sixteen indicators of standard of living, health, and education based primarily on 2014 Census data. Townships provide the most consistent available unit for analyzing both subnational conflict trends and patterns of development in Myanmar. The Township Development Index is the average of three subindices:

1. The standard of living subindex, which combines ten indicators of household living conditions and assets.
2. The health subindex, which combines infant mortality rates and aging index scores.
3. The education subindex, which draws on four indicators: literacy rates, school enrolment, and elementary school (ages 6-11) and middle school (ages 12-16) attainment rates.

For each index, a score zero represent the national average. The index allows for comparisons with national averages, trend analysis between townships, and ranking of Myanmar's 330 townships.

Indicators for subnational conflict at the township level were included in The Asia Foundation's database but not included in the indices. Conflict indicators cover armed clashes, presence of ethnic armed groups, ceasefire signatories and history of ceasefires, military bases, landmine contamination, presence of internally displaced people, and presence of public services provided by armed groups or affiliates.

The Methods Annex provides further detail on the indices and indicators in the TDI and gives more information on the research approaches adopted for this report.

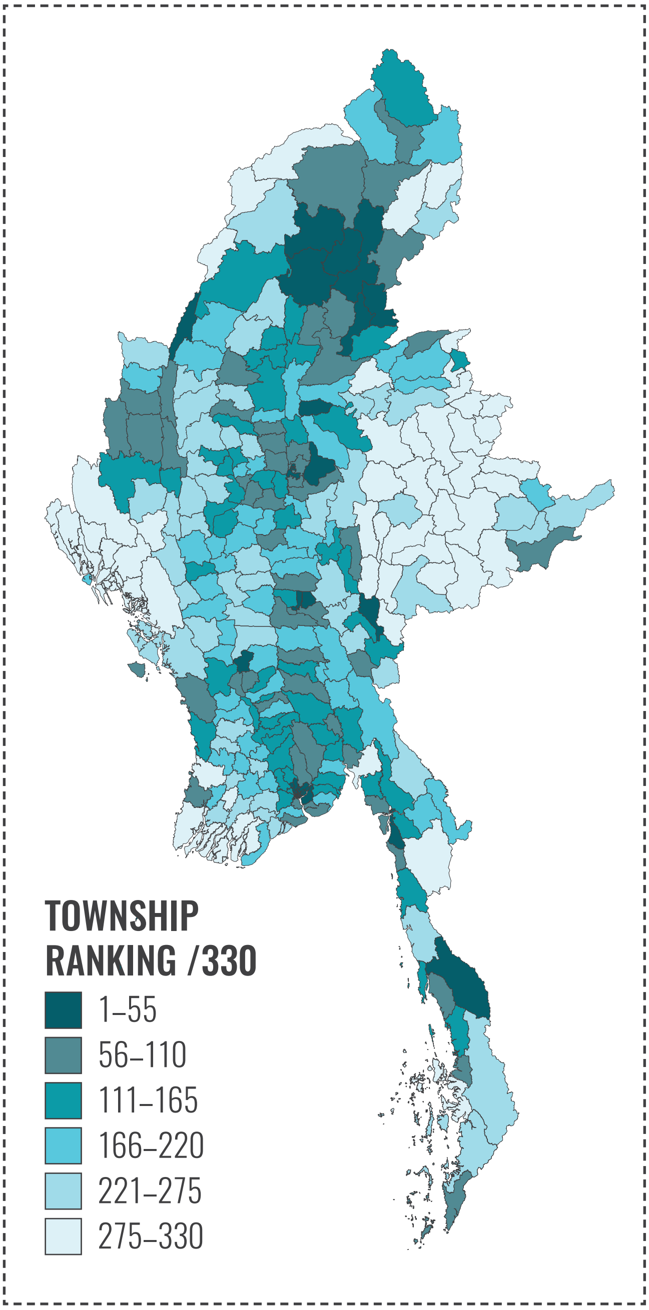
development indicators from the 2014 census (box 3.1). The composite index, and its three subindices, offer an accessible way to compare conflict-affected townships with the rest of the country.

Comparing conflict-affected and non-affected townships

Conflict-affected areas have highly diverse development outcomes. They are not always poorer than unaffected areas in Myanmar, calling into question the relationship between conflict and development and simplistic expectations that development will inevitably lead to peace.

FIGURE 3.2

Township development index[90]



Scores from The Asia Foundation's township development index indicate that townships affected by subnational conflict are on average marginally less developed than other townships. Approximately 72 percent of conflict-affected townships score close to or below the national average development score. Yet some conflict-affected townships - particularly in Kachin State and Mon State, rank in the top fifteen percent.[91]

Data on living standards shows a similar pattern. The average score for conflict-affected areas is lower than the average score for nonconflict areas (Figure 3.3).

The index also reveals considerable variety in living standards among conflict-affected townships. Figure 3.4 shows sixteen sample townships that are considered highly affected by subnational conflict and share the following characteristics: one or more EAO present, active armed conflict (more than 10 recorded incidents in 2015–2016), other forms of armed violence such as bombings or IEDs, the presence of IDPs or a history of displacement, and known landmine contamination. Most of the townships are in Shan or Kachin State. Scores for the sixteen townships on the standard of living index range from well above the national average to among the lowest 15 percent of townships nationally. The graph shows clearly that people living in highly conflict-affected townships experience a range of living standards, defying expectations of a clear relationship between development and peace.

FIGURE 3.3

Standard of living index in conflict areas and nonconflict areas[92]

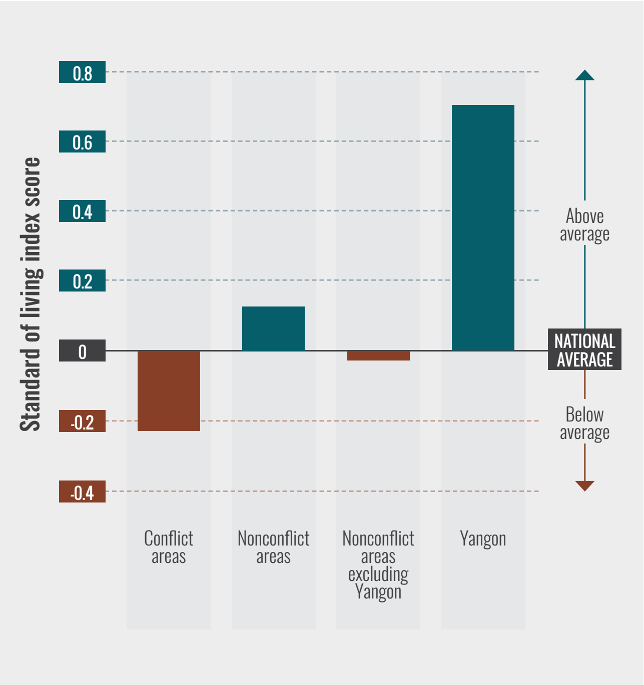


FIGURE 3.4

Standard of living index in townships highly affected by subnational conflict[93]

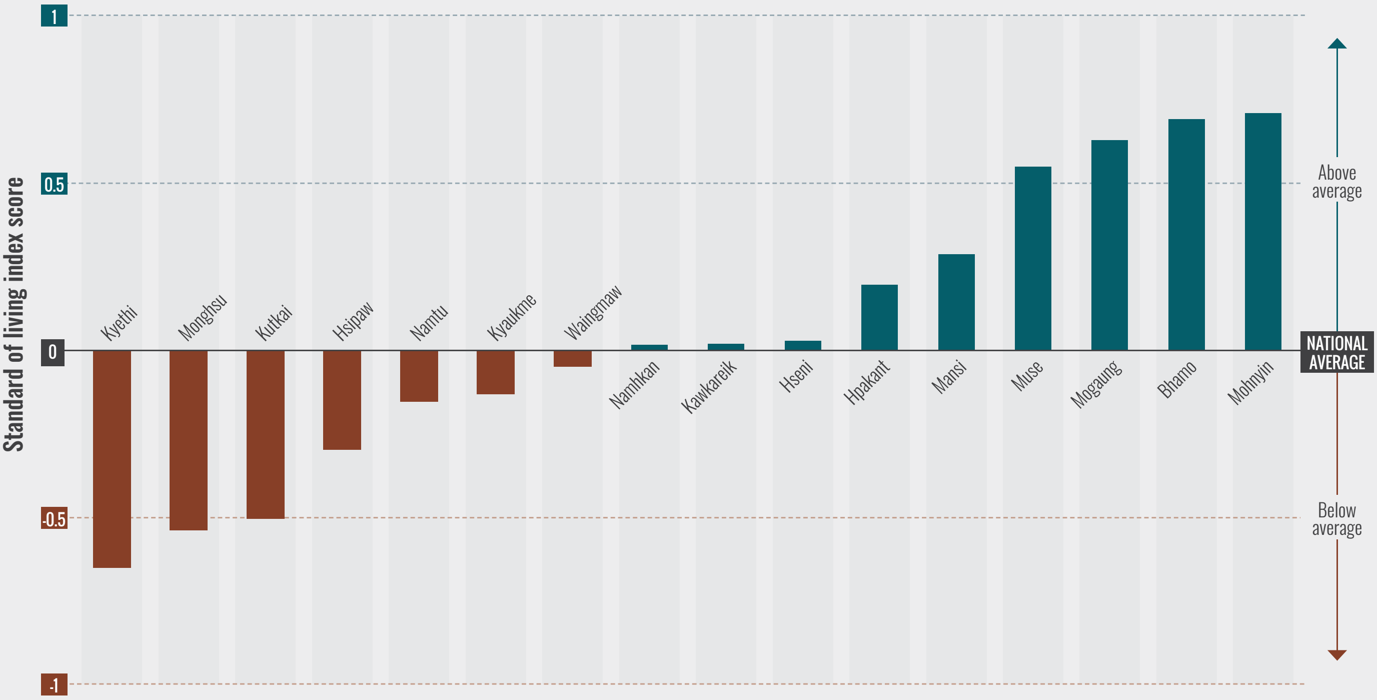


FIGURE 3.5

Health index in conflict areas and nonconflict areas[94]

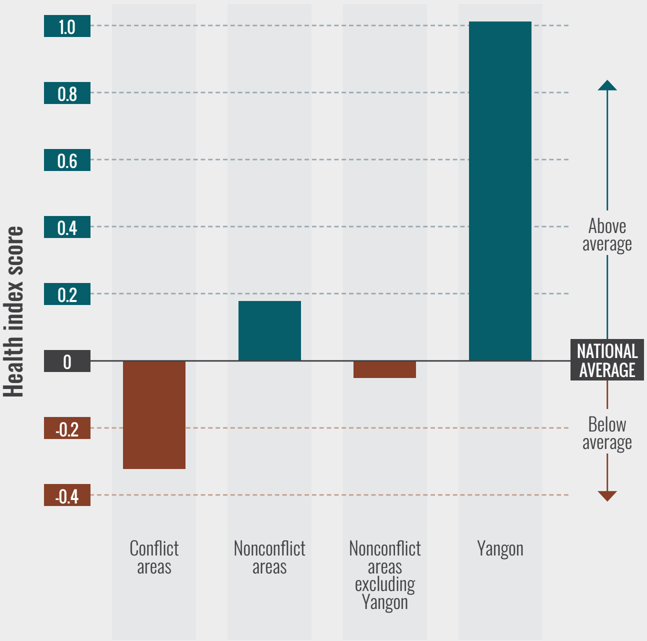
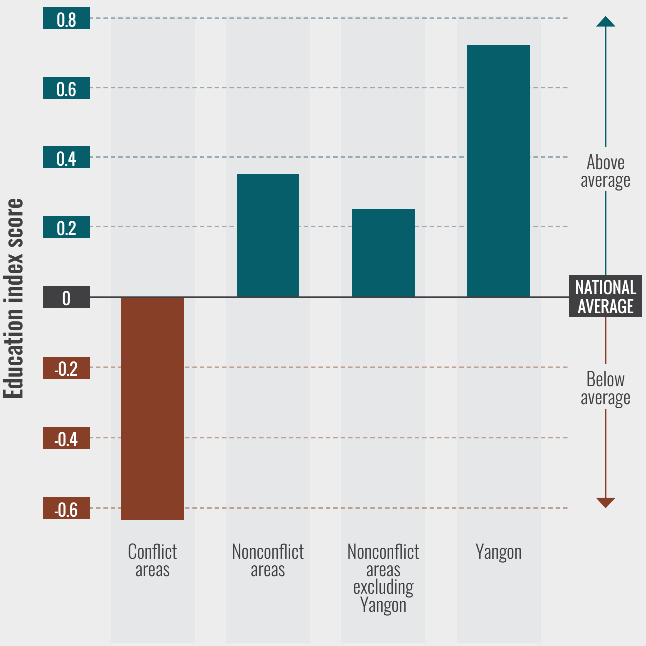


FIGURE 3.6

Education index in conflict areas and nonconflict areas[95]



Health and education in subnational conflict areas

On the composite health subindex, seventy percent of townships affected by subnational conflict fall marginally below the national average. Figure 3.5 shows the comparison with areas unaffected by conflict, demonstrating a similar trend to that shown by the standard of living index.

Data on education show a slightly different pattern. Sixty-three percent of conflict-affected townships score below the national average on a composite education subindex, similar to the percentage of townships that score below the national average on the health subindex. Yet the education levels in townships affected by subnational conflict are on average markedly lower than those in townships unaffected by armed conflict (figure 3.6).

The low average for conflict-affected areas is the result of very low education index scores in some townships, concentrated in parts of Shan State including the Wa Self-Administered Division (SAD) (figure 3.7). The primary education completion rate drops to 20–23 percent in these areas, far below the national average.[96] Index scores for conflict-affected townships vary hugely, however. For example, several conflict-affected townships in Kachin State score within the top 35 out of the country's 330 townships.[97]

Both the high performance in some townships of Kachin State and the low performance in parts of Shan State can be attributed largely to the availability of schools run by various providers. In parts of Kachin, the Kachin Independence Organization, religious authorities, and other providers offer a relatively high standard of schooling, while both government and alternatively run schools are limited in eastern Shan State (box 3.2).

Gender, development, and subnational conflict areas

Military rule and subnational conflict have had far-reaching effects on gender dynamics in conflict-affected areas.[98] The idea that women and men have equal opportunities in Myanmar dates from the colonial era and remains part of official rhetoric today.[99] Women and girls fare comparatively well in some statistical comparisons, such as gender parity in school attendance and adolescent fertility rates that are lower than other countries in Southeast Asia.[100] Yet the country also has some of the lowest levels of women's political participation in the region, and women face specific economic and conflict-related challenges.[101]

Since recent political reforms began, there has been a gradual increase in women's political participation from a low initial level. Under President Thein Sein's government, women accounted for less than 5 percent of national-level members of parliament. Since the 2015 election, this number has increased to approximately 10.5 percent of elected seats.[102] Formal female leadership at the local level also remains low. Most conflict areas are in the states rather than the regions, where women have far less political representation in subnational governments.[103]

The broader experience of armed conflict and long-term violence has gendered implications. Men often suffer greater exposure to conflict-related death, torture, physical assault, landmine injuries, forced labor, and forced recruitment, including as child soldiers. Women and girls, while suffering these to a lesser degree, are exposed to higher levels of rape, sexual violence, and domestic violence.[104]

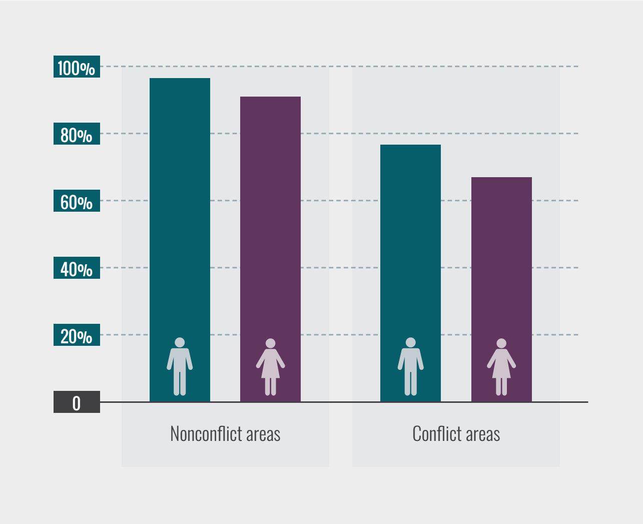
These dynamics can have deep social implications and traumatic effects on communities. From Karen State to

FIGURE 3.7
Education subindex, top five and bottom five conflict-affected townships[105]

	STATE	TOWNSHIP	EDUCATION INDEX SCORE	RANKING OUT OF 330 TOWNSHIPS
Top 5	Kachin	Myitkyina	0.95735264	12
	Kachin	Mohnyin	0.82127863	28
	Kachin	Mogaung	0.80644631	29
	Kachin	Hpakant	0.80597806	30
	Kachin	Bhamo	0.75765407	35
Bottom 5	Shan	Mongping	-3.0100067	326
	Shan	Pangwaun	-3.2228608	327
	Shan	Matman	-3.3494585	328
	Shan	Narphan	-3.3616779	329
	Shan	Mongkhet	-3.8984423	330

FIGURE 3.8

Reported literacy rates for males and females in conflict areas and nonconflict areas[106]



Kachin State, conflict in certain areas is often associated with drug production, use, and trafficking. Evidence shows that drug use is particularly high among both young men and women in northern Shan State and Kachin State. Local youth networks have documented higher levels of drug use and of domestic violence in conflict settings. The negative effects on male self-esteem of not being able to provide for one's family have also been associated with increased domestic violence in areas of armed conflict.[107]

Some EAO administrative bodies actively engage with gender issues and the role of women in decision-making, though none have devolved significant power to women. For example, the Karen Women's Organization provides services for women and has an officially mandated role in the KNU structure at different administrative levels. The Karenni National Women's Organization, aligned with the Karenni National Progressive Party, another EAO, advocates for women's rights, empowerment through education,

BOX 3.2

Service provision in conflict-affected areas

Education is a particularly sensitive sector in some ethnic areas, as government schools and colleges are sometimes perceived as tools for assimilating ethnic communities. People in many conflict-affected areas depend on education services provided by local nonstate actors. These include community-based and religious organizations as well as the education departments of some EAOs. Their services are often tied closely to ethnonational aspirations for the promotion and preservation of local languages, culture, and history, and are often well adapted to the challenge of providing consistent services in remote or inaccessible areas. The government's Ministry of Education has recently begun to support mother-tongue based education, but the scale remains small.[108]

In conflict-affected areas, ethnic health organizations, including EAO departments or affiliates, often provide essential services to some of the most underserved and hard-to-reach populations. These services are extensive in some areas. A health sector network of EAOs and local community-based organizations in southeastern Myanmar employs about 3,000 staff, working in 139 clinics and 93 mobile teams, with a target population of about 600,000 people.[109]

Since the 2011–2012 round of ceasefires in southeastern Myanmar, there has been more cooperation between some EAOs and the state on health service delivery than in any other sector. Cooperation has included steps to build trust and share information, and some joint projects. The National Health Network, established in 2013 by the National League for Democracy (NLD), has recognized and collaborated with ethnic and community-based health organizations for a number of years, and has included them in the development of the Ministry of Health's National Health Plan.[110]

Elsewhere, in northern Shan State, the Ta'ang National Liberation Army (TNLA) has maintained informal cooperation with the government, allowing for health services to be provided in townships with Ta'ang ethnic villages despite active armed conflict and no ceasefire in place. The TNLA, and other EAOs, also train backpack healthworker teams to deliver primary health services in remote areas. These 'convergence' efforts between the state and EAO-linked service providers have been crucial for reaching the populations most directly affected by armed conflict, who usually have limited access to services and often suffer the health consequences. Such efforts have also helped in some cases to build trust across conflict lines and boost momentum for the peace process.

support for maternal health, and care for elderly people displaced by conflict.[111]

Differences within townships

There are large variations in development outcomes within conflict-affected townships as well as between them. A number of factors affect levels and processes of development below the township level in conflict-affected areas of Myanmar. As elsewhere in the country, differences in access to roads and distance from urban centers, often linked to the nature of the terrain, partly explain why some areas are less developed. Yet, in subnational conflict areas, other factors also matter. Upland areas in conflict-affected townships, for example, are also more likely to have an active EAO and to be the sites of armed clashes, which can limit development opportunities. The population in rural and remote areas is more likely to be from minority ethnic groups who do not always have equal access to government services. In contrast, main towns and key transport routes in lowland areas tend to be controlled by the government, may have a regular Tatmadaw presence, and typically benefit from better access to services.

These differences, as well as differences of gender, affluence, land tenure, and other variables within each township or even within small villages, mean that we cannot assume that communities in subnational conflict areas are alike.

BOX 3.3

Risks and opportunities: community perceptions of development in subnational conflict areas

Field interviews in rural areas of Kachin, Kayah, Shan, and Kayin States showed that, after decades of mistrust, local residents will only support development initiatives if they experience direct benefits. Community members often supported improvements to local roads, which ease direct access to markets, schools, and hospitals. However, some respondents in Shan, Kayah, and Karen states expressed concerns about new, large roads. Villagers feared that the roads would enable more military engagement, attract armed disputes over taxation, and in some cases lead to land confiscation or forced displacement. Local residents were also concerned that new, long-distance roads might bring migrants from other areas who would compete for land and business opportunities.

Community-based development initiatives in conflict-affected areas emerged as a unanimously popular approach. The consultative method—establishing village committees and giving residents a say in deciding and monitoring how funds were spent—was widely supported. While the overall impact of these initiatives may not be large, the scale of the intervention for the most part matched the capabilities of communities to engage in and support program design and implementation. Several respondents, however, complained that some projects overlap unnecessarily, and that demands for involvement can become overwhelming when many activities occur over the same period.

Improving health and education is a high priority among village respondents at all sites. Across Myanmar, ethnic minorities tend to desire mother-tongue-based education for their children, but they also want students to gain officially recognized qualifications and gain proficiency in the Myanmar language. In Ta'ang areas of Shan State, where the TNLA (the influential local EAO) has little capacity to organize basic services, government education providers are welcomed into villages without interference, despite ongoing armed conflict. The national school curriculum is supplemented by additional Ta'ang-language classes. In parts of Kayah and Kayin States, EAOs play an important role in providing health care and education, and in some cases have refused to allow state services due to distrust of the government. Particularly in Kayin State, the 2012 ceasefire enabled both government and EAO-affiliated service providers to operate more freely. While this has sometimes led to tensions, it has in many cases created opportunities for cooperation across conflict lines, to the benefit of local communities.[112]

3.2 DEVELOPMENT POLICY AS POLITICAL STRATEGY

Stabilizing the periphery through development

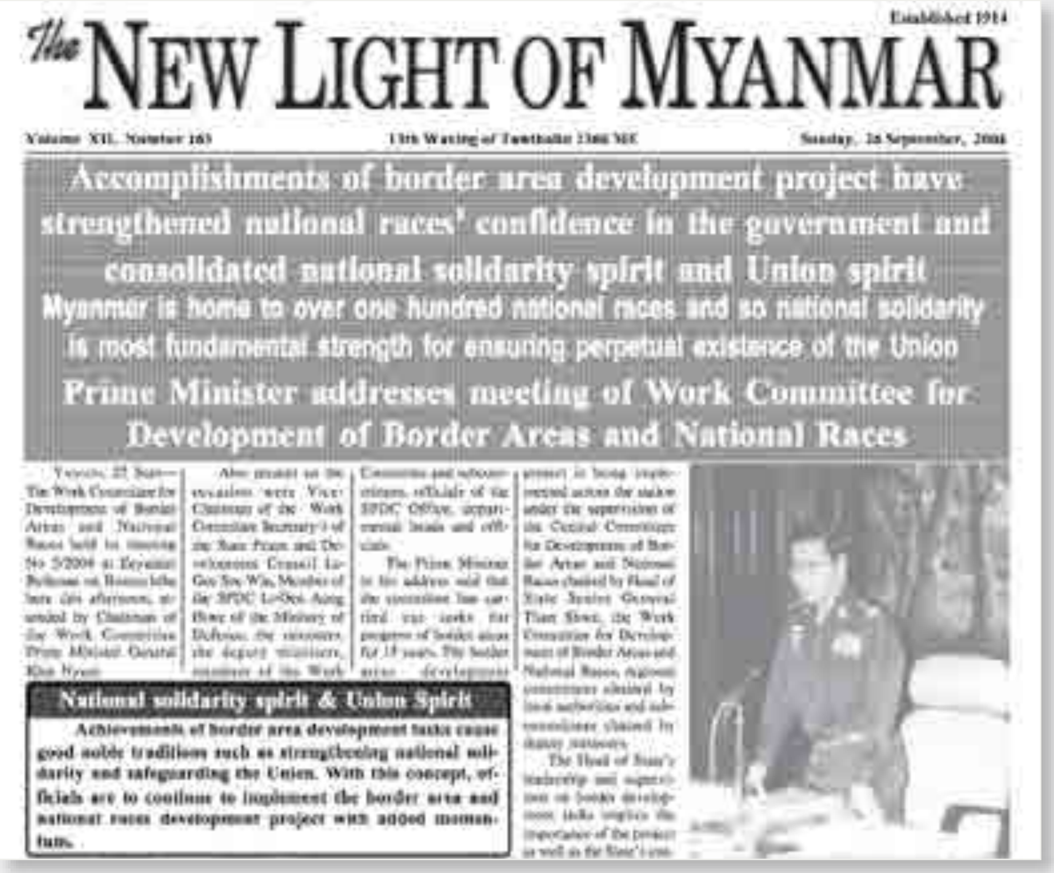
State-builders in Myanmar have long seen development as an instrument for building national unity and the foundations for peace. From the end of the 1980s, Myanmar's military leaders saw development programs as a key stabilization tool and part of the state's broader strategy to build a "modern, developed nation." [113] Senior General Than Shwe, head of state from 1992 to 2011, recognized a two-way relationship between security and development. He stated that insurgencies had caused Myanmar to "lag behind other countries," and that economic development would be crucial to their resolution.[114]

As it signed the first in a series of bilateral ceasefires with EAOs in 1989, the military government initiated the Border Areas Development Program, which ultimately became the Ministry of Border Affairs (box 3.4). Development programs conducted by the Ministry of Border Affairs were frequently championed by state media as a crucial part of efforts to bring EAOs "back into the legal fold" and to build national unity. Former Prime Minister Khin Nyunt saw development initiatives as a prerequisite for the successful realization of his seven-point Roadmap to Democracy, a precursor to the 2008 Constitution that defines Myanmar's current political system. The State Peace and Development Council (SPDC), the government at the time, would present new projects in contested areas as a counterpoint to the regular criticism it received over human rights and its treatment of ethnic minorities.[115]

Historically, expenditure on infrastructure and service provision has been dwarfed by military budgets. Funding that was allocated for non-military expenditure typically prioritized resource-generating sectors such as energy and mining above health, education, and infrastructure. Under the NLD government that came to power in 2016, the proportion of funds for the Ministry of Defense has stayed relatively steady at around 14 percent of a growing overall budget.[116]

FIGURE 3.9

State-controlled media headlines on building peace through development[117]



Established 1914

The NEW LIGHT OF MYANMAR

Volume XII, Number 163 13th Waxing of Tawthalin 1366 ME Sunday, 26 September, 2004

Accomplishments of border area development project have strengthened national races' confidence in the government and consolidated national solidarity spirit and Union spirit

Myanmar is home to over one hundred national races and so national solidarity is most fundamental strength for ensuring perpetual existance of the Union

Prime Minister addresses meeting of Work Committee for Development of Border Areas and National Races

National solidarity spirit & Union Spirit

Achievements of border area development tasks cause good noble traditions such as strengthening national solidarity and safeguarding the Union. With this concept, officials are to continue to implement the border area and national races development project with added momentum.

BOX 3.4

The Ministry of Border Affairs: promoting "peace and stability" through development

The Ministry of Border Affairs is one of three ministries still controlled by the military under provisions of the 2008 Constitution. Known previously as the Ministry of Progress of Border Areas, National Races, and Development Affairs, its main purpose is to expand development in 'border regions' as a path to national unification and stability.

In a 2017 statement detailing its achievements, the Ministry stated, "Without peace and stability, the government will not be able to make efforts on development of the country. Similarly, without development, peace and stability will not prevail in the country." [118] The Ministry implements both large- and small-scale projects in many sectors, frequently working in cooperation with foreign donors and international organizations. In 1991, the Committee for Co-ordination with UN Agencies and International Organizations was formed, responsible for receiving and requesting aid from international development partners for development projects. It has recently collaborated with the Nippon Foundation, the British Council, and other foreign aid agencies.[119]

The Ministry was involved in the SPDC's 24 Special Region Development Project, which overwhelmingly targeted conflict-affected areas. This involved a wide range of development projects, including the construction of hydropower dams, roads, industrial zones, and education and health-care facilities. Today, the ministry works through a network of eleven offices in its target areas.[120]

Since 2011, government leaders continued to associate development with peace and unity. In his inauguration speech, President Thein Sein stated, "The greater number of roads, railroads, and bridges the nation sees, the smoother transport there will be between one region and another, and [the] friendlier relations there will be among national races." [121]

Ceasefires and the extension of state authority

Some of these development programs have brought tangible socioeconomic benefits to people in target areas such as improved roads, schools, and access to healthcare. Development initiatives have also enabled the Government of Myanmar to expand its reach, establish authority over remote populations, and consolidate control in contested territories, particularly during ceasefire periods.[122] During the ceasefires of the 1990s and 2000s, the state expanded by establishing networks of government officials, EAO leaders, and business entrepreneurs for the commercial exploitation of natural resources. These networks brought local elites under the patronage of Tatmadaw commanders, slowly redirecting some revenue away from EAOs and towards the state.[123] Commercial concessions provided to EAOs also helped to deter them from taxing local populations (thus cutting their links to their subnational communities), and appeared in some cases to distract them from demanding political reforms and concessions.

Investments in roads through border development programs were instrumental in providing access to soldiers, government, businesses, and the few aid actors then working with the government.[124] Over time, the state further consolidated power by controlling trade, requiring in principle that all formal exports of timber and minerals to pass through centralized channels in Yangon and Mandalay, and limiting trade between EAO territories and other areas. The process of demarcating land in ceasefire areas as concessions for specific, taxable, economic activities, such as agribusiness or logging, also helped to redefine territories as state-regulated spaces.[125]

In areas where ceasefires were signed in 2011 and 2012, government departments have invested heavily in providing services to communities that had previously only interacted with military, rather than civilian, officials. Through such processes, state actors have built and deepened relations with community leaders, gaining increased control over the ceasefire areas.[126] Box 3.5 describes these trends in parts of Kayin State.

EAO approaches to development

EAO positions on development interventions depend primarily on their political and security implications. They might accept, or carry out themselves, some projects such as local road construction or electrification, but oppose other projects that are deemed to adversely affect local people's livelihoods, extend state authority, damage their security interests, or undermine their organizational strength.

BOX 3.5
State expansion in Karen ceasefire areas

Governance dynamics in Karen conflict areas have changed dramatically since 2010, as the DKBA split into multiple factions and the government signed a ceasefire with the KNU in 2012. The government has quickly expanded its administrative presence, utilizing new social service and development resources to build relations with remote communities. At the same time, the KNU has gained increased space for its own civilian activities in the region, and has been cooperating closely with other Karen armed factions to reassert its presence following decades of military defeats.

The government expands its reach from administrative centers at sites that have been fully secured but that are surrounded by EAO-influenced territories. These centers include towns that have long been under government control, such as Hpapun or Kawkareik, as well as newly established subtownship towns that act as administrative hubs in areas too difficult to govern from the township capitals.[127] Much of this activity has been led by the General Administration Department (GAD), which has established new posts for village tract administrators, who receive a government stipend and are expected to demonstrate loyalty to the state. In many cases, local leaders continue to answer to both the government and other bodies, while some villages have separate leaders for each authority.

Road construction in new ceasefire areas has had a significant impact on state control, making mountainous areas traversable in a fraction of the previous time. Dozens of new health facilities have been built, and existing community schools under the KNU system have been brought under the Ministry of Education system, through the deployment of over 3,200 new Ministry of Education teachers. The government has also introduced its land management system, registering people's farmland in accordance with two 2012 land laws that, in principle, allow people to register their land to gain tenure, but not full ownership. Additionally, police stations have been established for the first time in a number of areas, but have yet to reach most rural communities. All of these functions now exist in parallel with existing KNU equivalents in most areas, leading to new forms of cooperation and competition.[128]

EAO leaders generate organizational revenues or private profits by running local businesses and through dividends, revenues, or protection money from government or businesses in their area of influence.[129] EAO leaders also engage in broader efforts to boost local economies and generate taxes from local incomes and property. The KIO, UWSP, and KNU, for example, have pursued such agendas during ceasefire periods. Some EAOs have close relations with religious organizations and civil society bodies that provide welfare for local communities and lobby for EAOs to take on more socially aware policies.

Among the forty EAOs or factions that signed ceasefires between 1989 and 2007, the majority were quick to cooperate with the increasingly protrade policies of the Myanmar government and its neighbors, China and Thailand. The Myanmar Government praised and offered significant political capital to cooperating EAOs. Most EAOs registered official companies,[130] provided security for resource extraction, and cooperated with the government's border development programs during this period.

Yet EAOs have regularly blocked projects that might facilitate Tatmadaw or civilian government incursion into their territories, or provide revenues for local rivals, even while cooperating on other initiatives. EAOs that continued fighting with the Tatmadaw prior to 2011 typically had no formal cooperation with the state on development activities and provided their own basic services to vulnerable populations in their areas through community funding and cross-border support from international donors and NGOs.

Many of the trends seen in past ceasefires continue today. EAOs that signed ceasefires after 2011 have been quick to engage in development activities, setting up official companies and new offices in government-controlled towns. Immediately following the KNU ceasefire in 2012, Minister Aung Min, the former chief peace negotiator for the government, said to reporters that his objective was to "make [the EAOs] rich" so they will "automatically abandon their armies." [131] Minister Aung Min and the Myanmar Peace Center were then tasked with leading the government's peacebuilding strategy. A key aspect of their approach has been facilitating development opportunities for ceasefire areas and establishing programs involving EAOs and EAO-linked companies.[132]

The end result: development has not brought peace

Efforts to bring an end to conflict through development interventions and accelerated economic growth have not succeeded in building a sustainable basis for peace in Myanmar. Instead, economic change has often ratcheted up tensions, engendered rivalries, and provided funds that fuel conflict on all sides, while ceasefires have failed to provide comprehensive political solutions. Development agendas have provided some tactical and strategic advantages to the state, but they have not managed to end conflicts and stabilize the 'border areas.'

Development has also created new sites of conflict at the local level, as armies fight for control of roads, trade routes, construction contracts, land, and other resources. The Tatmadaw has long focused on securing resources and key cross-border trading posts, often provoking EAOs to target supply lines or demand taxes. In 2014, 2015, and 2016, fighting in Karen areas frequently occurred around taxable roads, including the Asia Highway, and the proposed site of the Hatgyi Dam.[133]

Recent conflicts in former ceasefire areas in Kachin and Shan States have been the most intense the country has seen in decades, despite the notable development they experienced during the 1990s and 2000s. In Kachin State, although the KIO had largely cooperated with the government's development plans after its 1994 ceasefires, failure to reach a political settlement led to renewed conflict. Political disputes flared in 2008 and 2009, catalyzed partly by economic drivers, as the KIO saw its economic concessions reduced, lost territory as state-linked businesses expanded, and then refused to endorse the Chinese-backed Myitsone Dam project.[134] Violence ultimately erupted at the site of another dam in KIO territory.[135] Since 2011, Kachin civil society and churches have urged the KIO not to sign ceasefires without political guarantees, wary of the KIO returning to business at the expense of political aims, and of the state regaining unrestricted access to natural resources at the expense of local welfare.

Former communist groups in northern Shan State, such as the United Wa State Party (UWSP) and the Myanmar National Democratic Alliance Army (MNDAA), have accumulated vast revenues and access to weaponry, often through illicit trading activities. While towns in their areas of control benefit from nearby China's booming economy and are served by 24-hour electricity, large hotels, casinos, and local-language TV stations, rural areas lack even basic services. After 20 years of ceasefires with the state, the MNDAA leadership was targeted by the Tatmadaw in 2009 for their refusal to align under Tatmadaw command. Leaders and many of their cadres were pushed out of the country. The MNDAA made a dramatic resurgence beginning in 2015, leading attacks on military installations, towns, and trade routes, in some cases with support from other EAOs.

Elsewhere in Myanmar, similar patterns of reemerging conflict following periods of calm and increased development are evident. Many EAOs continue to pursue a range of economic initiatives where opportunities arise, while the government and affiliated armed groups also pursue public and private sector investments in contested areas. These processes are part of the ongoing cycle of conflict.

Even where EAOs or splinter factions have been brought under the firm patronage of the state, new conflicts have often emerged. Overall, these dynamics have served to strengthen perceptions among some EAO leaders and supporters that *ceasefire* means *surrender*, and that *development* means *profit and greed that overwhelmingly benefit the central state*. Factions within those EAOs remain deeply skeptical of government attempts to build peace through economic cooperation.[136]

3.3 DEVELOPMENT THROUGH NATURAL RESOURCE USE

Natural resource exploitation is a core driver of Myanmar's national economy. Available data show that natural gas, mining, and timber comprised about 70 percent of Myanmar's exports in 2012-13.[137] Growing natural gas exports greatly increased Myanmar's overall government revenues, bringing in USD 170 million per month in 2015.[138] Given relatively low tax revenues, a large share of government earnings is directly or indirectly related to these natural resources.[139]

Much of Myanmar's natural resource base lies in conflict-affected parts of the country. It follows that the government's finances depend on resources generated from these areas. Inevitably, the sharing and management of resource wealth is a central issue in peace negotiations and in wider debates over decentralization.

Precise information on resource extraction is not available, indicating opaque practices and weak regulation. Resource revenues that accrue to the government are not all directly accountable, especially funds that flow through state-owned and military-affiliated enterprises. These flows, and the lack of transparency, generate strong institutional and individual interests in resource wealth.

The Tatmadaw, EAOs, and paramilitary groups benefit directly from resource extraction. For some armed groups, it is their greatest revenue earner. The Tatmadaw and paramilitary groups have repeatedly fought with EAOs near sites of large-scale resource exploitation. Many of the new business leaders who took advantage of partial market liberalization in the early 1990s made vast sums from natural resources in conflict-affected areas. These entrepreneurs were often well-connected to EAO leaders, Tatmadaw leaders, or both.

Flows of natural resource wealth also typify the problematic relationship between the central state and local populations, especially in ethnic areas. Local leaders and civil society organizations often stress the injustice of resource extraction that damages local livelihoods and the environment while the profits appear to benefit elites or accrue elsewhere.

In this way, the characteristics of resource extraction strengthen pre-existing grievances and perceptions of injustice. For example, pipelines that carry natural gas and oil from offshore fields to China and to Thailand pass through conflict-affected areas. In parts of northern Shan State, new pumping stations for the Shwe gas pipeline are lit up at night, while local villages along its route remain dark, a stark illustration of Myanmar's resources not benefitting Myanmar citizens while enriching domestic and Chinese companies. Politicians in Rakhine State, where the Shwe gas pipeline meets the coast, complain that their state remains one of the poorest in the country despite the gas revenues that flow to the central government. The 2014 Arakan National Conference called for local control over half of the oil and gas revenues from offshore sites near Rakhine State, and for local groups to be included in resource management.[140]

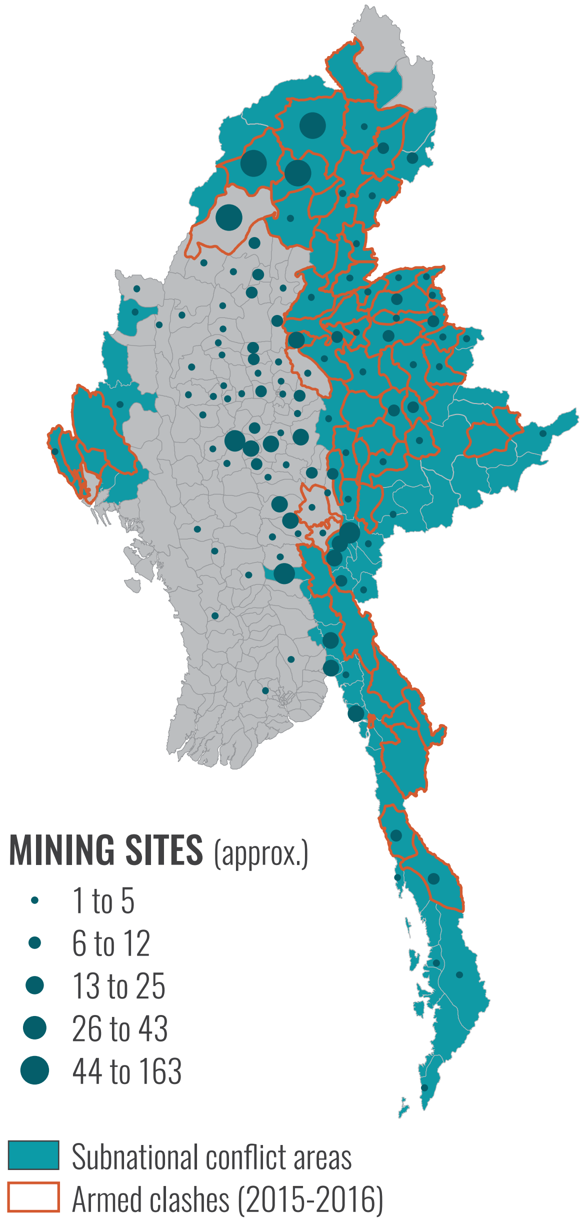
Mining and conflict

Myanmar's mineral wealth is undeniably vast, yet hard to quantify. Figures for gem exports, most notably the huge sums made from exporting jade to China, are particularly weak. According to one plausible estimate based on available data, nearly USD 12.3 billion in precious stones was exported from Myanmar to China alone in 2014.[141] Overall, around 56 percent of Myanmar's mining operations are in townships affected by subnational conflict, according to estimates from satellite imagery (figure 3.10). Both small- and large-scale mining—for gems, gold, silver, iron, coal, tin, and many other resources—was occurring in two-thirds of townships affected by armed clashes in 2015 and 2016, including some of the most violently contested parts of the country.[142]

In many cases, the Tatmadaw has a stake in mining operations. For example, Union of Myanmar Economic Holdings Limited, one of two major conglomerates run by the Tatmadaw, holds a major interest in the Mawchi tungsten mines in Kayah State.[143] The mines are run by local business interests, including a former military officer who stood as a member of parliament for the

FIGURE 3.10

Estimated mining operations and subnational conflict areas (2016)[144]



1173	Estimated number of mining sites
513	Estimated number of mining sites in nonconflict areas
660	Estimated number of mining sites in conflict areas
42	Number of townships with mining sites and recent armed clashes

local constituency. They are guarded by local militia affiliated with the Tatmadaw.[145]

EAOs are also involved in mining. In Tanintharyi Region, local groups have complained repeatedly about KNU support for the Ban Chaung Coal Project, claiming that it causes pollution and generates little if any local benefit.[146] The project involves several Thai companies: investors from Thailand, China, and further afield are commonly involved in mining enterprises in conflict-affected areas of Myanmar.

Dams and subnational conflict

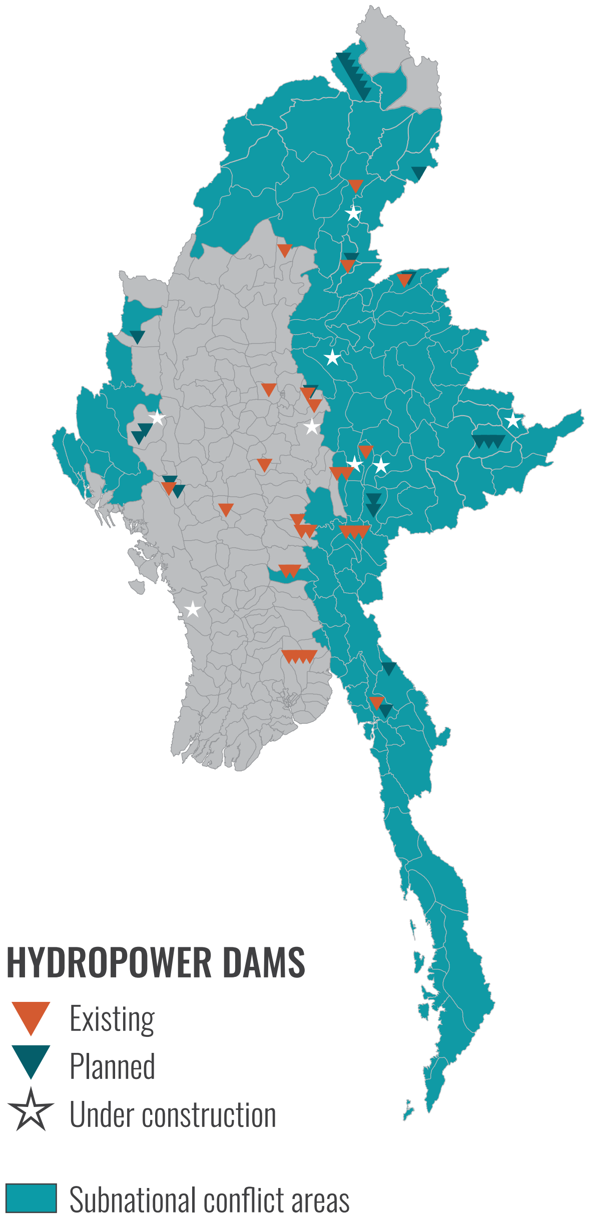
Electricity demand in Myanmar is projected to grow at 15 percent per year.[147] To meet this demand, while maintaining revenue from gas exports, the government plans to develop hydropower and other energy sources. Many of the existing and planned hydropower schemes are in conflict-affected areas. Of the 26 existing hydropower dams, twelve are in areas affected by subnational conflict. Of the 50 dams that are planned, 42 are in conflict-affected areas (figure 3.11).

Internationally, the World Commission on Dams found that while dams have made an important contribution to human development, an unacceptable price has often been paid by the people displaced and by communities downstream.[148] In conflict-affected areas of Myanmar, concerns over displacement, environmental damage that affects livelihoods, and the impact on land tenure feed existing subnational conflict tensions. Campaigners stress that communities in ethnic minority areas also resent the increased Tatmadaw presence that may accompany large-scale dam construction.[149]

Dams have a long record as sites of violent conflict in Myanmar (box 3.6). Much of the greatest hydropower potential is found in Kayin, Kayah, Kachin, and Shan States, all of which have endured entrenched subnational conflicts.[150] These states also include extensive areas that will be among the last to link up to the national electricity grid according to the World Bank's proposed support for government plans, due to the high costs of reaching remote, upland zones with low population densities.[151] Concerns have been raised over the possibility that some communities in these areas may face the burden of being hit by the immediate and long-term effects of large-scale dam construction while also being the last to benefit directly from hydropower generation.[152] Although decisions over sequencing national grid expansion can be justified on cost grounds, and alternatives such as local solar power generation may be offered, the poignant symbolism of power lines that bypass local settlements as they carry electricity out of the area will resonate with existing grievances. EAOs in Kayin, Kayah, and Shan States oppose further large dams in their areas of influence before comprehensive steps towards a political peace agreement are achieved. Yet EAOs in some cases have supported dams when they serve their interests. The KIO, for example, has been involved in dam construction in its areas of authority.

FIGURE 3.11

Dams and subnational conflict areas (2016)[153]



84	Total number of dams
12	Number of existing hydropower dams in conflict areas
42	Number of planned dams in conflict areas
4	Number of dams under construction in conflict areas

Many civil society groups from ethnic minority areas seek to halt new dams and other development projects until they see further progress from the peace process and related political reforms. A Shan political party representative stated: "The more dams you try to build, the more conflict will happen. This is not a coincidence; it is a calculated rejection of dams before peace is agreed." [154]

Overall, natural resources are a major contributor to government revenues and to Myanmar's overall economy, with significant future potential. Yet they are also a key factor in the country's long-term cycles of subnational conflict. Myanmar needs to continue building on recent improvements in economic growth and standards of living, and should harness natural resource revenues to pursue that goal, but it must do so in ways that support rather than undermine the ongoing peace process. Addressing this challenge is a major task for the Government of Myanmar, ethnic armed organizations, businesses, politicians, civil society, and agencies providing international development assistance.

BOX 3.6
Dams in Kayah State

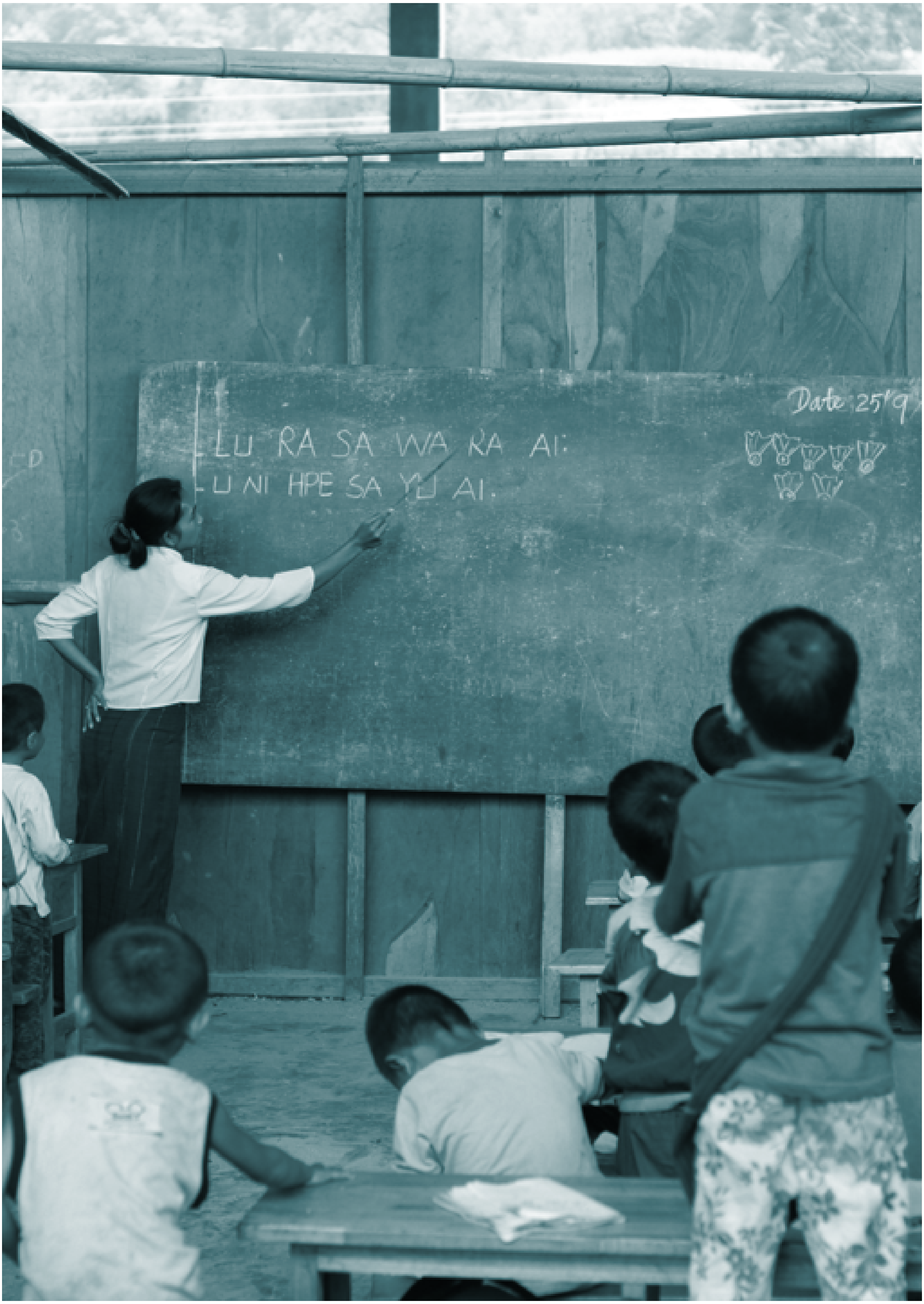
The Baluchaung (also known as Lawpita) hydropower facility was initiated in 1950 and has generated controversy ever since. The Tatmadaw was accused of forcing civilians to risk their lives guarding electricity pylons near the dam, and landmines are thought to have been planted in surrounding areas.[155] Most of the power generated by the facility was exported to the rest of the country, feeding tensions and perceptions that the dam did not benefit the people of Kayah State.

Today, controversy over the Baluchaung Dam has taken a back seat to resistance to proposed new dam sites. In 2011, the government is thought to have signed an agreement for the Chinese company Datang to build three more dams in Kayah State: the Ywathit Dam (Salween River, Ywathit, 600–4,000 MW); the Pawnchaung Dam (Pawn River, Saw Lon Hall Kan, 130 MW); and the Thabetchaung Dam (Thabet River, Shan-Karenni Border, 110 MW).

Of these proposed sites, the Ywathit Dam, in the state's south, is the largest and the most sensitive. The dominant EAO in Kayah State, the Karenni National Progressive Party (KNPP), has objected to the proposal, and in 2010 it attacked a group of technicians near the dam site, resulting in three deaths. Construction has since been on hold.

The KNPP's eight-point ceasefire with the government includes measures to ensure the transparency of large projects, specifically naming the Ywathit Dam. In addition to objections over its own exclusion from the project, the KNPP opposes the dam for its potential to invite a stronger Tatmadaw presence and to improve outside access to their traditional stronghold of Shadaw. Opposition to the dam is also a way to stand up for the interests of Kayah State's residents.

Local grievances over the lack of electricity in much of Kayah State persist, even if the situation has changed considerably in recent years. According to the 2014 census, 48.6 percent of households in Kayah State now used electricity for lighting, well above the national average of 32.4 percent.[156] The Government has been further extending electrification since the census was taken.[157] The prevailing popular narrative, however, fed by the lack of information about dam plans and widespread cynicism over the role of the central government, remains unchanged.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Chapter 4

AID AND SUBNATIONAL CONFLICT IN MYANMAR

SUMMARY

Since 2011, most donors have moved towards 'normalizing' their programs in Myanmar, increasing overall aid budgets and gradually expanding work with government departments.

Between the start of 2011 and the end of 2015, Myanmar received USD 13.7 billion in aid commitments. Over USD 6.5 billion of past debts were also forgiven. The majority of aid comes from a handful of donors led by Japan, the World Bank, the United Kingdom, and the United States. The health, energy, and transport sectors have received the greatest funding and the bulk of this aid is delivered through programs that operate on a national basis.

Myanmar's peace processes are domestically led but foreign aid forms part of broader international efforts to solve the country's conflicts through political negotiation. Peace-related programming is far cheaper than many other interventions – just 3.4 percent of aid funds committed to projects in Myanmar is spent on peace building and conflict prevention.

This chapter provides an overview of current aid to Myanmar and explores some of the major trends that are relevant to conflict. The first section outlines the nature and levels of aid to Myanmar from 2011 to 2016, a period in which aid has become 'normalized', assuming many of the features seen in other countries. A crowded landscape of aid agencies has emerged as new projects have begun in many sectors. The second section provides an overview of aid that aims primarily to support peacebuilding. While targeted peacebuilding support makes up just a small proportion of foreign aid to Myanmar, current levels are now high compared to many other Asian countries. The third section considers development assistance to conflict-affected areas, highlighting its gradual expansion. The fourth section examines one of the most important shifts in aid practice in Myanmar: aid agencies' increasing collaboration with government, both through technical assistance and by funding government programs.[158]

4.1 THE NATURE OF AID SINCE 2011: TOWARDS NORMAL RELATIONS WITH THE GOVERNMENT

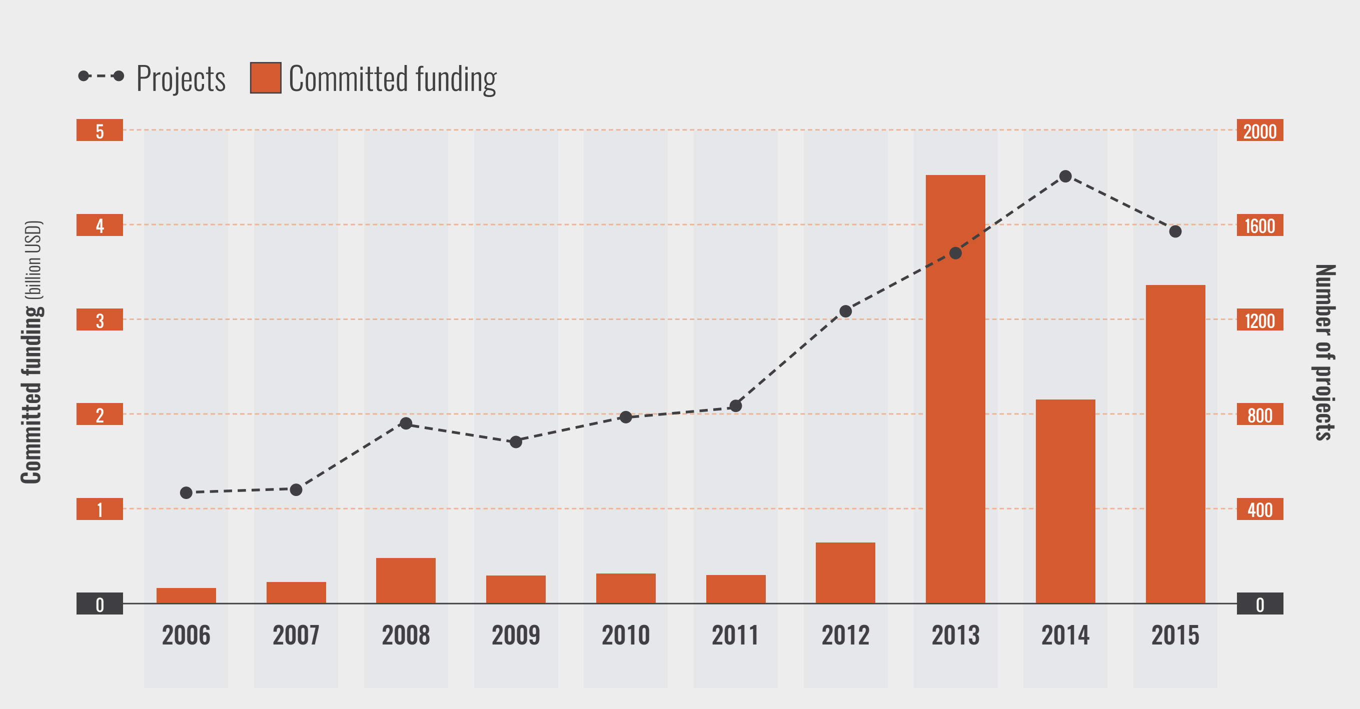
Levels and providers of aid

Prior to the 2011 transition, aid from OECD member countries to Myanmar was relatively limited, and in many cases placed under strict political constraints.[159] As part of the diplomatic response to the violent suppression of political protests in 1988, the Western donor community closed most of its aid programs. Japan, the largest donor to Myanmar at the time, also sharply reduced its aid. Over the next decade, the Myanmar government received little foreign aid or other forms of outside assistance, and carefully regulated foreign activity in the country. While United Nations agencies and several international NGOs remained active, they faced donor restrictions on working with the government, and government restrictions on how they could operate.[160] From the early 1990s, humanitarian organizations expanded their work with displaced people and conflict-affected communities near the border with Thailand, often cooperating with networks linked to EAOs and the prodemocracy movement in exile. NGOs also played a significant role in advocating for human rights and democracy. Meanwhile, China gradually became a key benefactor of Myanmar's development efforts, increasing its assistance through soft loans and private sector investment.

During the 2000s, some international donors such as the European Union, the United Kingdom, and Australia increased their aid portfolios in central Myanmar. Much of this support was directed to specialized fields such as communicable disease control, or designed to support emerging domestic civil society in an effort to create space for democratic reforms. Several United Nations agencies operated donor-funded assistance programs while limiting engagement with the government. Overall, commitments to the country remained low.[161] The response to Cyclone Nargis in 2008 brought a surge of international assistance, although aid declined slightly the next year.[162]

The national political transition prompted a significant expansion of foreign aid beginning in 2011, as President Thein Sein actively courted development assistance and sought to underpin the country's growing international legitimacy.[163] OECD countries and multilateral agencies responded quickly with significant debt forgiveness. Japan played a leading role, forgiving some 60% of the USD 6 billion owed to it by Myanmar.[164] Myanmar's long-standing debt to the World Bank and the Asian Development Bank, totaling approximately USD 960 million, was cleared using a Japanese bridging loan.[165] Debt cancellation was accompanied by the entry of new donors into Myanmar and the expansion of existing programs. Recorded aid flows to Myanmar have grown

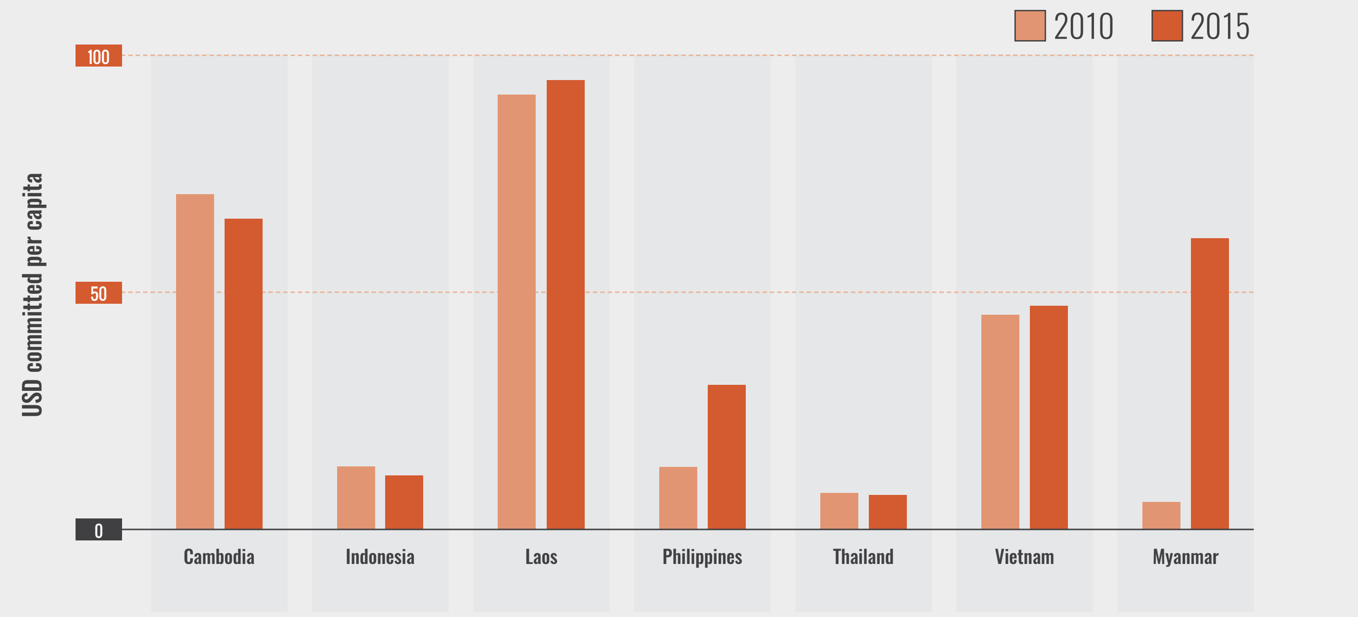
FIGURE 4.1
New aid commitments per year to Myanmar, 2006–2015



Source: OECD Creditor Reporting System Aid Activity Database.[166]

FIGURE 4.2

Official development assistance per capita across Southeast Asia, 2010 and 2015



Source: OECD Creditor Reporting System Aid Activity Database.

fast from a low base, increasing nearly tenfold between 2010 and 2015. Excluding debt forgiveness, new commitments to Myanmar grew from USD 302 million in 2011 to a peak of USD 4.5 billion in 2013, and remained high throughout 2014 and 2015 at USD 2.1 billion and USD 3.3 billion, respectively (figure 4.1).[167]

This transition has seen per-capita aid reach levels similar to other less developed countries in the region (figure 4.2). By 2015, USD 62 was committed per person in foreign aid to Myanmar, significantly more than middle-income Indonesia or Thailand, but less than Cambodia or Laos.[168]

This funding is supplied by a large and diverse group of aid agencies, but the majority of assistance comes from a limited set of large donors, as shown in figure 4.3. Although the OECD tracks 82 funding agencies working in Myanmar, just six have provided over 85 percent of all aid to the country.[169] Japan has provided the most followed by the World Bank. The United States, the United Kingdom, the Asian Development Bank, the European Union, and the Global Fund to Fight AIDS, Tuberculosis, and Malaria all have portfolios of over USD 500 million. Limited available information means that aid from China is not fully represented in this data.

Growing multilateral assistance is led by the World Bank and the Asian Development Bank.[170] The new Asian Infrastructure Investment Bank has also made its first commitment to Myanmar, allocating USD 20 million for a gas-fired power plant in the Mandalay region.[171] United Nations agencies have expanded their portfolios, and several, special-purpose global funds such as the Global Environmental Facility are active.

The private sector lending operations of the Asian Development Bank, with USD 590 million across six projects, and the International Finance Corporation have provided large loans. Government-affiliated export-import banks, which provide financing primarily intended to support the trade relations of the lending country, have expanded lending.[172]

What aid is spent on

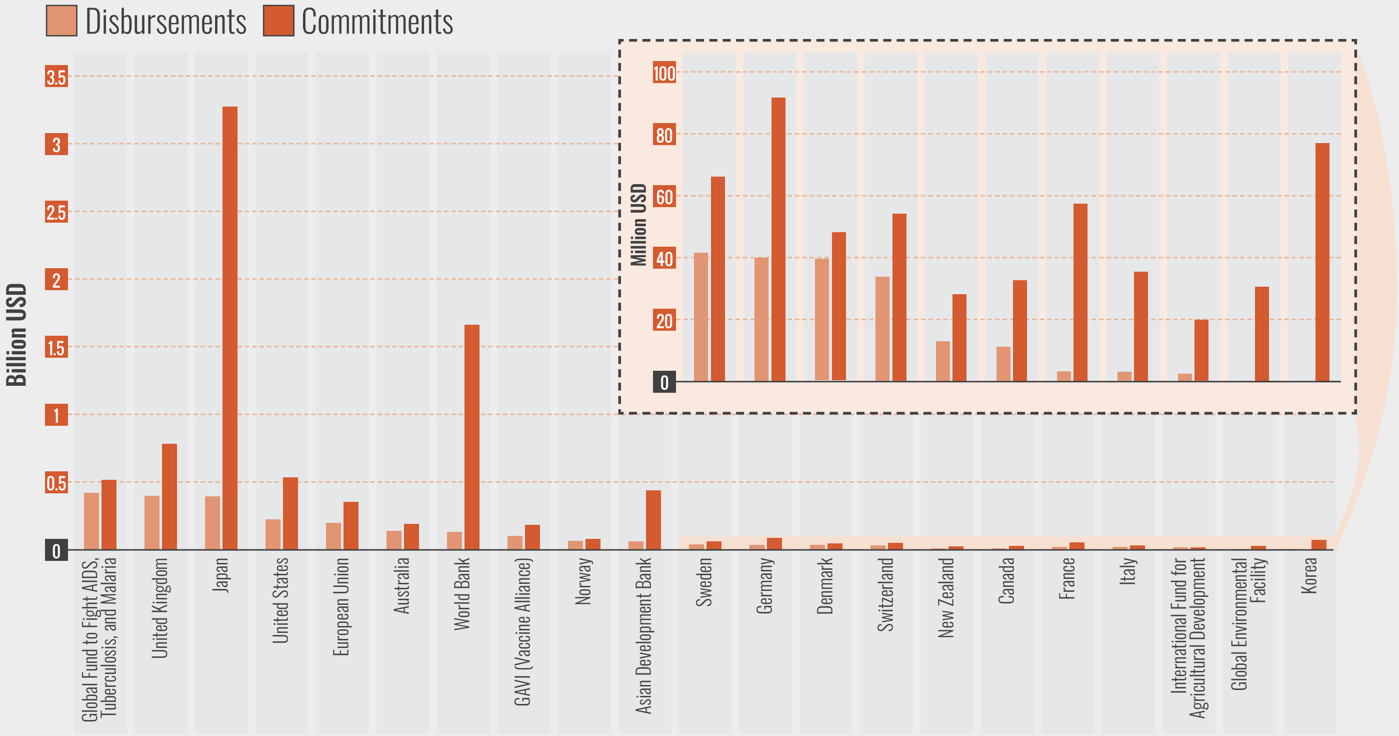
Almost one-half of current aid is spent in three sectors: energy, health, and transportation (figure 4.4). Increased funding for new infrastructure projects, especially in the energy and transport sectors, is led by Japan, the World Bank, and the Asian Development Bank. Further significant contributions come from China, India, and Thailand, which have provided concessionary loans for large road projects and other initiatives. Multimillion-dollar, private-sector lending by the International Finance Corporation and the Asian Development Bank supports expanded electricity generation.[173] Aid focused on health dwarfs that spent in other social sectors.

Changes since the 2015 election

The election of an NLD government in November 2015 was followed by further pledges from Japan, France, the World Bank, and others. Donors have looked to build close relationships with the incoming

FIGURE 4.3

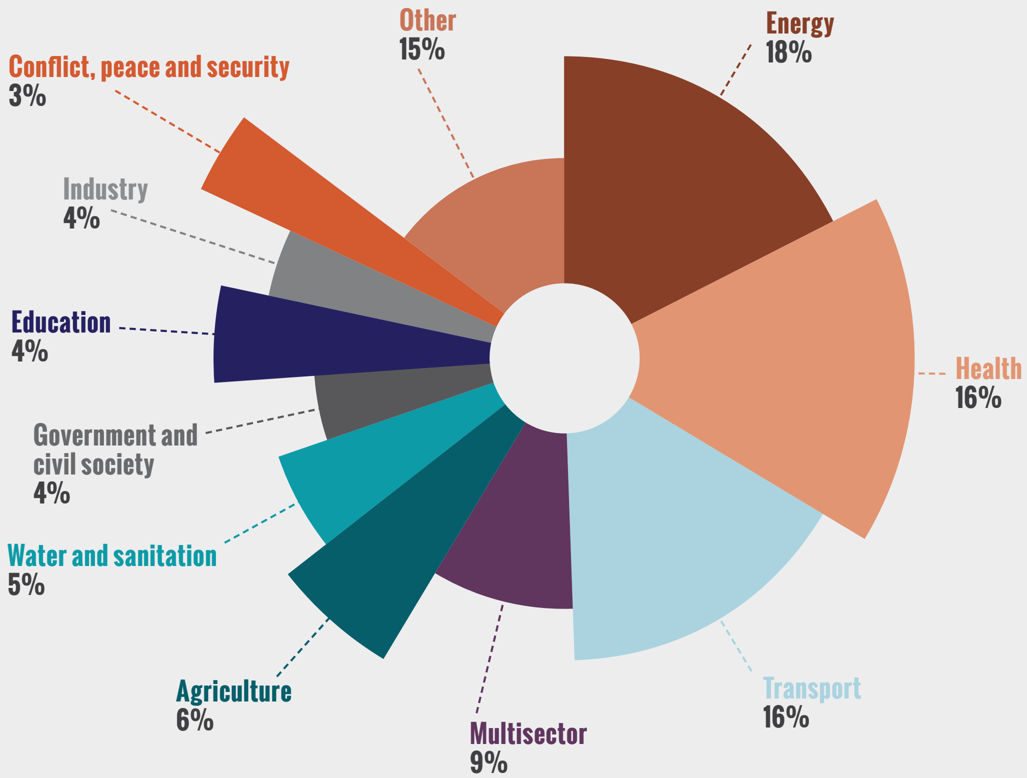
Approximate aid funds disbursed and committed for active projects as of November 2016[174]



Source: The Asia Foundation Aid Data Verification Survey 2017. See Methods Annex for more information.

FIGURE 4.4

Aid commitments, by sector, for active projects as of November 2016



Source: The Asia Foundation Aid Data Verification Survey 2017 administration. There was no significant spike in commitments in 2016, however, and donor approaches do not appear to have changed significantly. Aid to Myanmar remains relatively small compared to the overall economy and the government budget. The USD 1.2 billion in disbursements in 2015 equaled around 2 percent of Myanmar's gross national income for the year and just 6.4 percent of the approximately USD 18.5 billion national budget.

Change is more apparent in government structures for managing aid. The incoming government wanted to supervise aid flows, and some NLD members of parliament have expressed reservations about foreign borrowing.[175] The government established the Development Assistance Coordination Unit, a new, high-level office for decision-making on aid projects chaired by State Counsellor Aung San Suu Kyi. Housed at the Ministry of Planning and Finance, the unit connects line ministries with cooperation partners across ten sector-coordination groups.[176]

> “AID TO MYANMAR REMAINS RELATIVELY SMALL COMPARED TO THE OVERALL ECONOMY AND THE GOVERNMENT BUDGET.”

Regional neighbors

Most foreign aid is to some extent connected to donor countries' wider foreign policy priorities. The links are especially apparent when donors provide aid to neighboring countries, due to the salience of political, economic, and security interests in such cases. Both China's and Thailand's approach to Myanmar reflect interests in building a working relationship with the government while also managing problems generated by subnational conflict along their respective borders. The actions of armed groups on both sides of the common border are also a concern for India.

China continues to be a major provider of public and private investment in Myanmar. Official Chinese government support dates back at least to the early 1960s, and was most significant relative to other financial flows during the period of Western sanctions and reduced Japanese aid and investment before 2012.

Current aid from China finances a range of development initiatives and assistance to central government ministries. In common with other large donor countries, Chinese support cannot be easily characterized, due to its diversity, and limited data is available. It typically funds infrastructure, promotes government-to-government ties through training and technical assistance, and forms part of wider diplomatic, military, and economic relationships. For example, China provided USD 400 million for small-scale loans to agriculture in 2015,[177] and Myanmar government statistics rank China as the largest provider of training programs, aimed mainly at civil and military officials.[178] Having established a relationship with the incoming NLD government in 2016, China has promoted its continental 'One Belt, One Road' initiative in Myanmar for improved transport links and commerce, and is likely to offer further grants of aid and subsidized loans in support of this agenda.

Chinese aid is not always separated from other financial flows such as military assistance or investments by state-owned companies. The scale of prominent, Chinese-funded infrastructure initiatives, and the country's wider profile in Myanmar, have invited particular controversy because of support to the military and perceived infringement of Myanmar's sovereignty. Multibillion-dollar natural resource projects funded primarily by China—the Shwe Gas pipeline from Rakhine State to China and the suspended Myitsone Dam project in Kachin State—are seen by many in Myanmar as examples of resource exploitation that benefits foreign interests and the central government but undermines local rights and revenues.

Thailand and India have provided assistance in many fields, although on a smaller scale than aid from China. They have prioritized infrastructure that boosts cross-border trade, such as Thai-funded road improvements in Kayin State and Indian support for the Kaladan River Project.[179] Beyond Myanmar's immediate neighbors, other Asian donors fund a range of projects. One prominent example is South Korea's support for the Myanmar Development Institute, a new policy institute located in Naypyidaw. Modeled along the lines of similar think tanks in South Korea and other Asian countries, the Institute aims to improve the central government's technical policymaking capabilities.

Neighboring countries have also supported and funded elements of the ongoing peace process. China has organized a series of meetings and visits with both the Government of Myanmar and EAOs near its border, where violent conflict continues, in order to promote participation in the peace dialogue.[180]

BOX 4.1
Japanese development cooperation in Myanmar

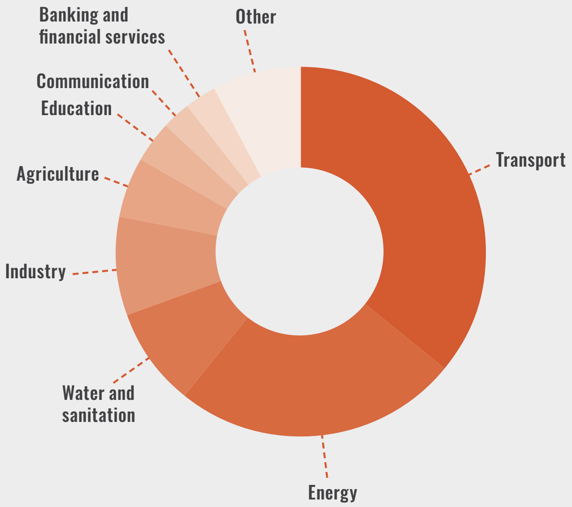
Measured by declared commitments, Japan is by far the largest donor in Myanmar, with over USD 3.7 billion in ongoing projects in November 2016. This builds on a long history of engagement in the country, and reflects consistent growth in commitments since 2011, when Japan's program started expanding alongside those of other OECD donors. The announcement of a major aid package in November 2016, totaling USD 7.73 billion over five years, shows Japan's intention to remain the dominant OECD aid provider to Myanmar, as it is across the region. Japan is also the largest aid provider to Vietnam, the Philippines, Thailand, and Indonesia.[181]

The majority of Japanese assistance to Myanmar is for infrastructure, especially transport and power. This is evident in Yangon, where Japan is financing the planning and construction of new bridges, water supplies, and electrification. Some of this supports the rapidly growing Thilawa Special Economic Zone, where Japanese private investments are clustered. There is a further focus on Kayin State and Mon State in southeastern Myanmar.

Japanese aid to Myanmar comes predominantly through the Japan International Cooperation Agency (JICA), working with government ministries. The remaining funding goes directly to international humanitarian agencies, including UNHCR and the World Food Programme, or to Japanese NGOs.

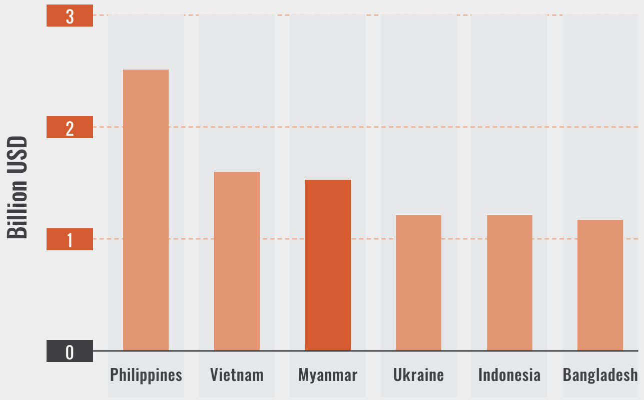
Japanese assistance to the peace process includes funding for the Nippon Foundation, whose chairman, Yohei Sasakawa, was appointed Special Envoy of Japan for reconciliation in Myanmar. The organization has received over USD 100 million from Japan's Ministry of Foreign Affairs for a range of confidence-building measures, including support for EAOs to engage in peace talks, and small-scale assistance for conflict-affected people.

FIGURE 4.5
Sectoral breakdown of Japanese foreign aid to Myanmar, active projects as of November 2016



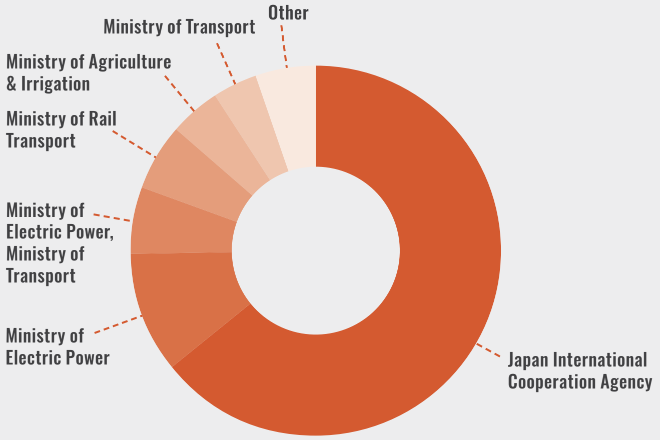
Source: The Asia Foundation Aid Data Verification Survey 2017

FIGURE 4.6
Global recipients of Japanese foreign aid, 2015



Source: OECD Creditor Reporting System Aid Activity Database

FIGURE 4.7
Implementing partners for Japanese foreign aid, active projects as of November 2016



Source: The Asia Foundation Aid Data Verification Survey 2017

4.2 AID FLOWS TO CONFLICT AREAS

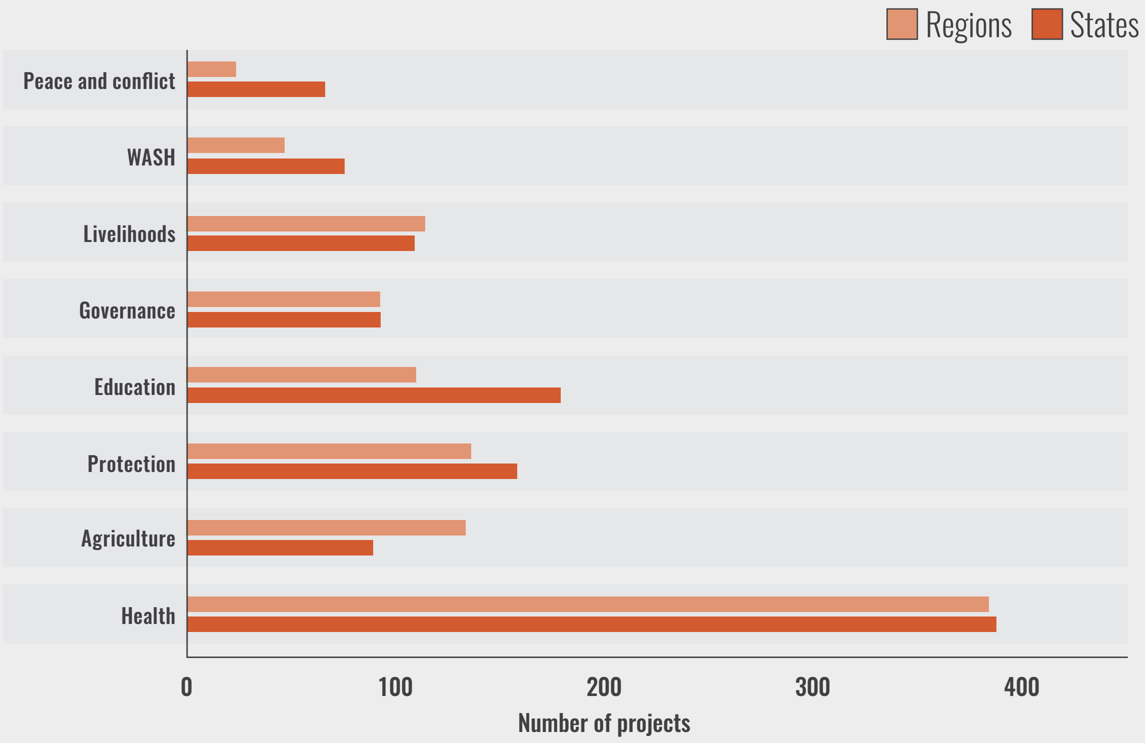
It is not possible to determine precisely how much aid is reaching conflict areas, as aid data below the national level is poorly reported, and it is hard to determine what portion of project budgets goes to different geographic areas. Donors organize many of their programs at the national level with multiple layers of implementing agencies operating in different localities. Less than one-third (31.6 percent) of aid provided to Myanmar is clearly tied to a specific state or region, according to data on active projects in November 2016.[182]

There are indications that aid delivered to any of Myanmar's seven states, which contain 83 percent of all conflict-affected townships, differs only from aid delivered to any of the country's seven regions. According to data from the Myanmar Information Management Unit (MIMU), which does not record amounts of assistance but does enable slightly better identification of project locations, states and regions have similar numbers of projects in the fields of health, agriculture, education, livelihoods, WASH (water, sanitation and hygiene), governance, and the protection of civilians in conflict-affected areas (figure 4.8).[183] Agricultural projects are notably more common in regions, probably because of high activity in the hunger-prone Dry Zone region of central Myanmar. Meanwhile, education and WASH projects are much more frequent in states, possibly because there are more nongovernmental or EAO-affiliated providers in conflict areas. Perhaps the most important difference between states and regions is in the field of peacebuilding and conflict prevention, in which there are far more projects in states than in regions, although this represents only a small portion of aid activity.

Figure 4.9 shows that, among funds committed by donors to specific states or regions rather than to nationwide projects, the transport and energy sectors dominate across all locations. This graph shows per-capita commitments rather than the quantity of projects, and it is dominated by large, site-specific infrastructure initiatives. In the energy sector, major commitments have been made to projects in Kayah State by Japan, in Mon State by the World Bank, and in Kayin State by the Asian Development Bank. Almost one-third of all reported aid in the transport sector has been committed by the Asian Development Bank and Japan in Mon and Kayin States, where connectivity to Thailand is being rapidly enhanced now that ceasefires have stabilized on the ground conditions.[184] The peacebuilding and conflict prevention sectors, as well as reconstruction, relief, and resettlement, tend to be targeted more commonly to states than to regions.[185]

FIGURE 4.8

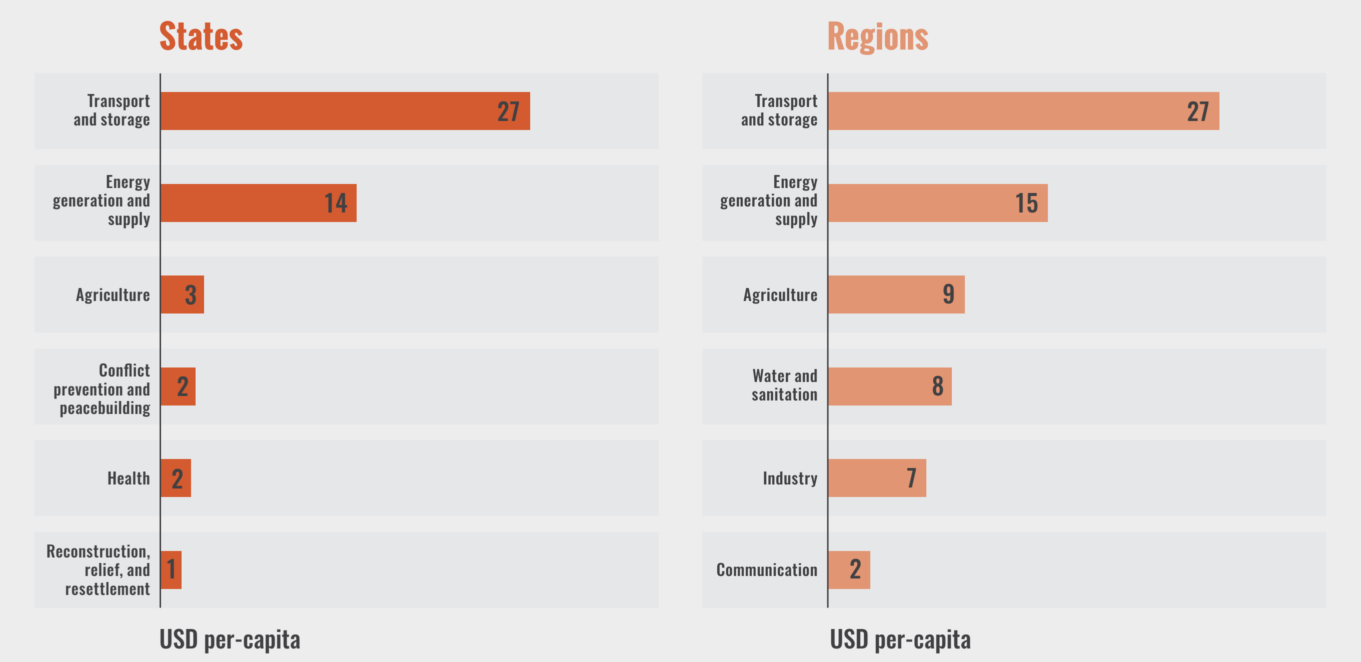
Number of projects under implementation, by sector, state vs. regions as of March 2017



Source: Myanmar Information Management Unit, Countrywide Subsector Overview March 2017

FIGURE 4.9

Sectoral breakdown of per capita commitments, states vs. regions, active projects as of November 2016



Source: The Asia Foundation Aid Data Verification Survey 2017

Development aid in conflict townships

As the figures above suggest, aid provided to conflict-affected townships mostly covers the same sectors as aid to non-conflict townships. The extent and mode of delivery, however, sometimes vary both between and within townships depending on local factors.

In those parts of conflict-affected townships that are securely controlled by the government—typically towns, major roads, and the villages along them—most international agencies operate in cooperation with government authorities. Assistance for social services is normally focused on strengthening government systems, or is aligned with government policies and targets. Large, nationwide projects are usually rolled out in these areas in line with typical procedures. Projects implemented by national and international NGOs are also found. These areas likely receive a higher amount of aid overall. Experienced observers of development initiatives have stated that both government-funded and aid-funded projects tend to be clustered in the most accessible areas.[186]

Delivering aid in remote areas of conflict-affected townships is usually more complex, mainly due to the presence of EAOs or paramilitary groups. These areas often receive a mixture of assistance, some delivered in cooperation with the state and some delivered by local organizations with connections to EAOs. Overall levels of aid tend to be lower, even though poverty rates are typically higher.

Organizations administering aid in conflict-affected townships include community or religious groups that are able to negotiate access with armed actors. They tend to work in partnership with international or large local NGOs to receive funds from donors, and often operate with little external monitoring and evaluation.

Humanitarian, resettlement, and reconstruction assistance for conflict-affected populations

Humanitarian assistance is delivered in most of Myanmar's conflict areas, particularly where there are high numbers of recently displaced people. Much of this assistance targets displacement camps, but there are also projects in villages, monasteries, and relocation sites.

Large amounts of humanitarian assistance, including a UN-led 2017 Humanitarian Response Plan worth some USD 47 million, are provided to Kachin and Shan States for people who have fled ongoing conflict. Some camps in Kachin State have been open for more than six years. In southeastern Myanmar, new bouts of displacement have been rarer since the signing of bilateral ceasefires in 2011 and 2012, but they still occur. Many agencies have stayed on a humanitarian footing in the region due to ongoing insecurity and poor access to essential services. A 2014 survey estimated there could still be 400,000 internally displaced people in the southeast.[187] In Rakhine State, some 402,000 people were still in need of humanitarian assistance.[188]

Tensions often emerge when donors decide to reduce humanitarian funds. UNHCR and other agencies ultimately seek to establish 'durable solutions' for displaced people, by helping them return home or settle elsewhere. Where people have been displaced for long periods, such as in Kachin State, discussion of durable solutions sometimes creates fears that displaced people will be forcibly relocated or pressured to make long-term commitments prematurely.

In cases of more protracted displacement, helping people to return home or settle elsewhere can be particularly sensitive and complex. Since ceasefires were signed in southeastern Myanmar in 2011 and 2012, initial planning for the repatriation of over 100,000 refugees from camps in Thailand has been underway. The initiative has largely come from the Thailand and Myanmar governments, but it has also been driven by gradual decreases in donor support and facilitated to some extent by UNHCR.[189] Aid officials offer several reasons for the reductions: competition for resources and more pressing humanitarian needs in other countries, the need to end the camp populations' long-term dependency on aid funds, and a desire to respond to political reforms and the peace process.[190]

The repatriation process has, however, been slow. People living in refugee camps in Thailand remain skeptical about the security situation and potential livelihood opportunities in Myanmar, while neither government has pushed for rapid relocation. Tensions have persisted between the government and EAOs over how and where refugees should be resettled. In 2016, UNHCR facilitated the return of a small number of refugees, but there have been no announcements of plans for further assisted returns.[191]

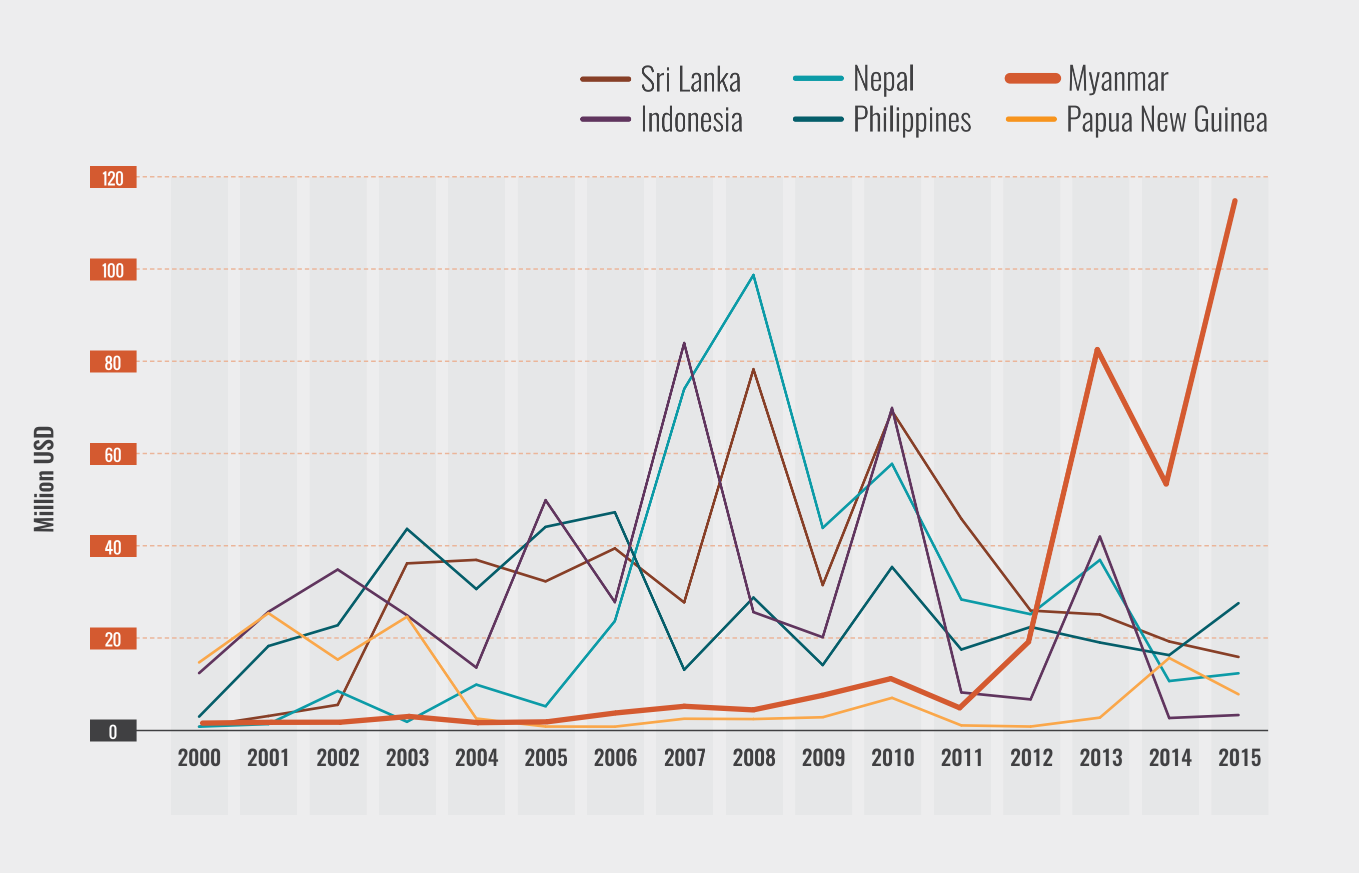
4.3 FOREIGN AID FOR PEACEBUILDING

Many aid agencies in Myanmar have developed specific peace and conflict programs that offer financial support for the formal peace process and a range of other conflict concerns in subnational areas. These programs typically make up only a small part of each donor's overall funding portfolio, and in total comprise around 3.4 percent of assistance committed to active projects in 2016.

As argued in the regional *Contested Corners of Asia* study, donors' capacity to engage in peace programming

FIGURE 4.10

Aid commitments for peace and security, 2000-2015: Myanmar and other countries affected by subnational conflict



Source: OECD Creditor Reporting System Aid Activity Database for subnational conflicts is strongly influenced by the presence of a formal peace process or political transition. In the absence of a formal peace process, peace programs for subnational conflicts are inevitably limited.[192] This is evident in Myanmar, where the expansion of overall aid coincided with the start of the formal peace process in 2012, leading to a dramatic expansion of donor assistance for peace promotion. Peace-related aid commitments grew from close to USD 11 million in 2010, to USD 20 million in 2012, and to as much as USD 116 million in 2015 (figure 4.10).[193]

As shown in figure 4.10, donor spending on peace and security in Myanmar is not only higher now than in any other country affected by subnational conflict in the region, but also higher than it has been in any country in the region in the past fifteen years. While total commitments across all countries remain relatively small compared to spending on development projects such as public services or large infrastructure investments, this reflects the relatively low cost of peace and security programming. More money is typically required for postconflict reconstruction or for attempts to generate a ‘peace dividend’ through new development initiatives following a peace agreement. This dynamic is reflected in the 2007 increase in commitments to Indonesia following the 2005 peace agreement in Aceh, and the 2008 increase in commitments to Nepal.[194] In these cases, increased peace and security spending was complemented by greater development spending in subnational conflict areas. In countries where peace negotiations have been protracted and uncertain, like the Philippines and Thailand, spending has remained limited.[195]

Even recognizing that the peace process in Myanmar is evolving rapidly and is a high political priority, the USD 270 million committed explicitly for peace and security in the country since 2012 is high compared to other countries across the region. For example, Sri Lanka received USD 172 million in the four years following the military defeat of the Liberation Tigers of Tamil Eelam in 2009, and Nepal received USD 240 million between 2006 and 2009 following the signing of the 2006 Comprehensive Peace Accord. Smaller sums are seen in the Philippines and Thailand.[196]

Peace support in Myanmar backs a wide range of activities. Some funding, normally channeled through intermediary organizations, goes to the formal peace process for the costs of peace conferences, preparatory activities, and the expenses of negotiators. Donors marshalled considerable support for formal ceasefire negotiations through the government-led Myanmar Peace Center, with financial and technical support provided by Japan, the European Union, and the UN Peacebuilding Fund from 2012 to 2015.[197]

Additionally, many programs work with negotiating parties to build their capacity, provide study trips abroad, or engage them in development activities intended to boost their confidence during the nascent peace transition. Some programs aim to make the peace process more inclusive or representative by supporting civil society, local media, and interest groups to conduct research, to consult conflict-affected people, and to advocate effectively. The Norway-led Myanmar Peace Support Initiative was a prominent, aid-funded initiative that, over its three years of operation from 2012 to 2014, distributed approximately USD 6.5 million to 22 projects in conflict-affected parts of the country.[198] The Nippon Foundation, which has committed large sums to the peace process, implemented several similar projects covering humanitarian concerns, agriculture, and preparations for refugee resettlement.[199]

Other peacebuilding projects do not focus directly on the peace negotiations, but instead address drivers of conflict more directly, by working on relevant sectors such as natural resource management or language education, or by working directly with conflict-affected communities to address their specific concerns about conflict. This latter work often includes components to address governance issues and security concerns specific to the conflict environment, as well as ordinary development activities such as poverty reduction or water and sanitation. Multiple projects have worked to improve intercommunity or interfaith relations, even in subnational conflict areas.

Donor funding for peace support, such as the European Union’s assistance programs, often flows through chains of intermediary organizations such as NGOs. Local and international NGOs also received support via the Joint Peace Fund, the Peace Support Fund, and UN agencies. International NGOs often work in partnership with local or national NGOs rather than handle implementation themselves. Some peace support funds are transferred directly to the government, but donors also support government capacity without direct transfers of funds. The peace process changed significantly following the less-than-universal signing of the Nationwide Ceasefire Agreement (NCA) in October 2015 and an escalation of violence in northern Shan State amid a lack of progress in the political dialogue. Donors struggled to find appropriate ways to support either the formal political dialogue or the ceasefire monitoring processes called for in the NCA.

In 2016, the Joint Peace Fund became a focal point for donor support of the peace process. Financed by a pool of OECD donors until 2021, its mandate explicitly calls for a multitrack approach, with funding streams for the formal peace architecture, for broader peacebuilding, and for research and innovation. By mid-2017, the Joint Peace Fund had support from eleven donors and an approximate overall budget of USD 100 million. Many of the donors contributing to the Joint Peace Fund have also committed to funding some initiatives through other channels, while other donors, such as China, do not contribute to the fund. The Peace Support Fund, a smaller, preexisting, pooled donor resource with an operating budget of USD 6 million per year, focuses on broader approaches to peacebuilding and civil society involvement.[200] It has funded over 75 mostly small-scale initiatives, from building organizational capacity to leadership training for young women and men.

In its first year in power, the NLD government developed new structures to oversee international support for the peace process. It established a new Joint Coordinating Body for Peace Process Funding (JCB), chaired by State Counsellor Aung San Suu Kyi, to set priorities and review any projects that donors wish to support. It is made up of eight government and eight EAO representatives, with the chairperson holding the deciding vote.

Speaking at the body's inaugural meeting on December 19, 2016, Aung San Suu Kyi said that support would be allocated across four fields—ceasefires, negotiation and dialogue, peace-supporting development, and the peacemaking process of the National Reconciliation and Peace Center.[201] She also stated that funding must be allocated to sectors "based on the real situation rather than donor-oriented ones." [202]

4.4 WORKING WITH THE GOVERNMENT: TECHNICAL ASSISTANCE, NATIONAL PLANNING, AND LARGE NATIONAL PROGRAMS

As Western countries have withdrawn political and economic sanctions and reestablished diplomatic relations, aid to Myanmar has increasingly been directed towards programs in collaboration with government. More aid agencies have started providing technical assistance, aligning with government strategies, and offering direct funding for government programs. This represents a significant switch from the prior, military-dominated regime, when Western aid donors and multilateral agencies circumvented state-led processes and instead worked through civil society and NGOs.

This change reflects evolution towards the regular donor practice seen in many other countries. While donor approaches in countries affected by large-scale conflict such as outright civil war tend to reflect peacebuilding objectives, countries affected by subnational conflict are more typically treated as 'business as usual' for development actors. Subnational conflict receives less donor attention than more prominent forms of conflict, and building state capacity in countries enduring subnational conflict is generally seen as an incontestably positive contribution.[203]

The change in foreign aid approaches seen in Myanmar conforms to international guidance on aid effectiveness, particularly for so-called fragile states. A series of international commitments, including the Busan Partnership Agreement and the New Deal for Engagement in Fragile States, explicitly emphasize nationally led approaches to build government capacity as a means of ending fragility.[204]

These agreements generate challenges for donors committed not only to building government capacity but also to building peace in Myanmar and other countries where the government is one of the primary conflict actors. As more donors build closer relationships with the government, the space for them to respond to the views of ethnic leaders and EAOs may diminish.

Large national programs and collaboration with government

While donor efforts to improve the capacity of government agencies and assist reforms are relatively low in cost, they can be highly influential. Japan has been the most prominent bilateral donor in this field, alongside many others. Multilateral institutions have had a particularly important role to play, with the World Bank, the Asian Development Bank, and various UN agencies all offering extensive technical support. This includes the preparation of surveys and diagnostic policy research, support for drafting national plans and policies, support for legal reform, and the preparation of new legislation. Public financial management has been one component of this support, with the improvement of government capacities in revenue mobilization and budgeting considered an important part of effective international aid in transitional and conflict-affected contexts like Myanmar.

Development policymakers usually prioritize large programs aimed at improving national-level indicators and supporting improvements to government policy in an identified sector. In Myanmar, as elsewhere, it is seen as the most feasible way to make a dent in widespread poverty and low levels of access to services such as health and education. The tendency towards national-level programming is clear in Myanmar, where many of the largest programs are designed to work throughout the country. National-level programs also offer efficient delivery mechanisms for aid agencies seeking to reach as many beneficiaries as possible with a minimum of administrative overhead.

A focus on the national level rather than on subnational priorities also emerges from the negotiation process between external aid actors and the government, which typically steers the design of aid-funded initiatives. One prominent risk of working primarily at the national level is that variations within a country, including many concerns associated with subnational conflicts, are passed over when planning and implementing initiatives.[205] Flows of foreign aid can also affect domestic politics, potentially lessening the need for national politicians to find domestic consensus or to respond to local-level concerns, and orienting them instead towards relationships with donors.[206]

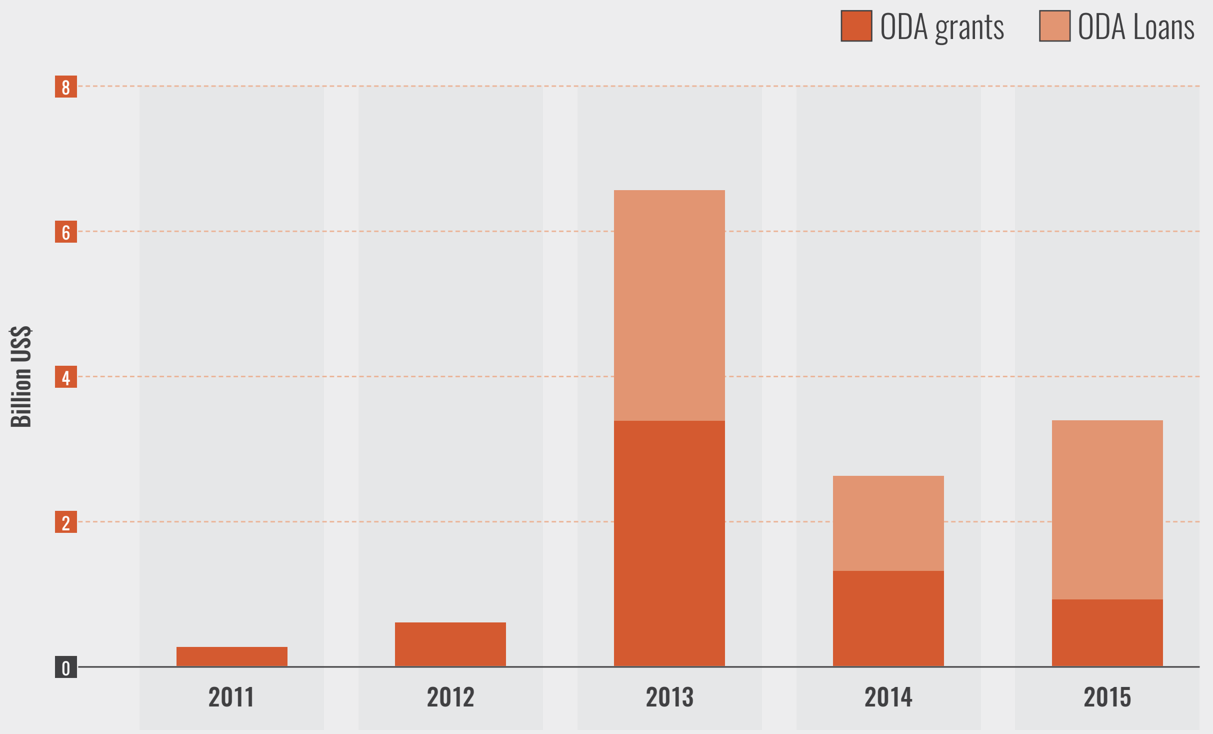
Large national aid projects form a significant proportion of all aid to Myanmar: the ten largest make up around 25 percent of all aid to the country.[207] Programs of this size span large parts of the country, including conflict-affected areas, and they require large delivery mechanisms to disburse funding. Most large national aid programs work closely with the government, as a grant partner or a borrower of concessional loans. Table 4.1 shows how three of the five largest programs have extended into conflict areas, sometimes adapting their approach.

Overall donor funding is gradually moving towards loans rather than grants, and towards forms of support that are aligned more closely with the government, indicating that relations with the government are normalizing. Concessional loans from donor agencies to the Myanmar government started in 2013, and since then have consistently made up 50 percent or more of new funding commitments. The majority of these have been in the form of funding for specific projects, but in 2013 the Japanese government provided general and sectoral budget support, free of any specific

TABLE 4.1
Approaches of selected national programs to working in conflict-affected areas

PROJECT	DONOR(S) AND NATIONAL COUNTERPART(S)	TOTAL NATIONAL COMMITMENT (USD)	APPROACH TO CONFLICT AREAS
Myanmar National Community Driven Development Project (2012–2021)[208]	World Bank; Italy Department for Rural Development; Ministry of Agriculture, Livestock and Irrigation.	480 million	Gradual expansion to conflict areas. In 2017, 19 of 47 project townships were conflict-affected. Site selection requires broad approval including from relevant armed groups. Various measures have been adopted, including additional assessment and safety measures, employing local staff wherever possible, and conflict-sensitivity training for government staff. Senior government staff maintain engagement with state chief ministers, and with EAO leadership where relevant.
National Electrification Project (2015–2021)[209]	World Bank Ministry of Electricity and Energy; Ministry of Livestock, Fisheries, and Rural Development	567 million	The project aims to provide universal coverage, using off-grid options including solar packs for hard-to-reach communities. Reach into conflict areas is negotiated by local government officials. Partnership with the Department for Rural Development, and gradual engagement in conflict-affected areas, offer incremental opportunities to consider conflict-relevant issues that have not been addressed to date.
Livelihoods and Food Security Trust Fund (LIFT) (2010–2018)[210]	13 OECD donors[211] Government departments and national and international NGOs	430 million	LIFT introduced a dedicated funding window for upland communities in 2015. It undertook a comprehensive conflict assessment and established conflict sensitive principles. Proposal assessment ensures that NGO partners have relevant exposure, contacts, and experience. Specific proposals are vetted for conflict-relevant concerns. Further strategic review is planned to encompass growing partnerships with government.

FIGURE 4.12
Loans and grants in ODA commitments to Myanmar, 2011–2015



Source: OECD Creditor Reporting System Aid Activity Database.

project constraints. The World Bank has also started providing budget support with the approval of USD 200 million of financing in March 2017. Considerable funding to government remains tied to specific project requirements, with donors providing material goods and making direct transfers to local government agencies or contractors.

Before donors provide large-scale loans or budget support, they often put resources into multidonor trust funds. These trust funds have been an important aid delivery mechanism, perceived by donors as a useful way to share risks and to coordinate larger volumes of assistance without working through government. They channel large sums: the Three Millennium Development Goal Fund (3MDG) committed USD 271 million for health projects between 2012 and 2017, and the Livelihoods and Food Security Trust Fund (LIFT) allocated USD 428 million from 2009 to 2018. Multidonor trust funds are centralized mechanisms with their own administrative capacity, and with the exception of the explicitly peace-focused funds, have prioritized areas unaffected by conflict before expanding into more politically complex contexts. Over time, they have become increasingly engaged with government. Both the 3MDG and LIFT funds have government representatives on their fund boards and engage with government in their respective policy fields.

This chapter has highlighted the massive increase in foreign aid to Myanmar in the past few years. Many programs increasingly work with, and sometimes through, the state. Funding to support peacebuilding in Myanmar, while a small share of overall commitments, is now larger than that provided to any other recent peace process in Southeast Asia. Increases in funding create opportunities to reduce poverty, improve services, and build peace. However, experience from a range of countries affected by subnational conflict shows that aid can also inadvertently do harm. The following chapters explore in more depth the impacts of aid on Myanmar's subnational conflicts.

Chapter 5

IMPACTS OF FOREIGN AID ON SUBNATIONAL CONFLICT

SUMMARY

Development policies and interventions are part of the peace process in Myanmar. Ceasefire terms identify prominent development issues and emphasize the role of EAOs in coordination and consultation.

Foreign aid can help establish legitimate institutions and build confidence among conflict parties in the peace process. Carefully formulated approaches can build common ground and can minimize the risk that aid flows are used by conflict parties for security purposes or otherwise unintentionally exacerbate cycles of violence.

Aid can support efforts to tackle the root causes of conflict in Myanmar at the national level. It can back critical government reforms, support accountable and responsive subnational institutions, and encourage an inclusive state. National programs that do not adapt to varied conflict conditions risk antagonizing conflict drivers.

Accelerated natural resource use in conflict-affected areas risks further entrenching grievances over perceptions of injustice. Aid agencies should exercise extreme caution in this field and can find ways to back better practices.

Conflict sensitive approaches and safeguards have been more effective at adapting existing plans, and at addressing localized conflict concerns, than at influencing overall policy direction or tackling national level issues.

This chapter and the next look at the impact of foreign aid on Myanmar's subnational conflicts, considering how it contributes to—or undermines—efforts to find just and sustainable ways to end subnational conflicts. The focus of this chapter is on foreign aid that aims to achieve development outcomes. International support for peacebuilding is considered in the next chapter.

Chapter 2 explained the causes and characteristics of subnational conflicts in Myanmar. At the national level, there is disagreement over the nature and structure of the state: the extent to which the state should be civilian led, the extent to which power should be devolved or decentralized, and the nature of state-society relations. While differences over these three areas have driven tensions, ongoing subnational conflict has also unleashed local violence, with groups fighting over control of populations, territory, and resources. The inability to address fundamental disagreements in peaceful ways has meant that the country continues to endure violent subnational conflict.

Foreign aid can shape these dynamics. The next three sections of this chapter assess the extent to which aid is shaping the prospects for peace in subnational conflict areas in three ways: first, its impact on peace negotiations; second, its impact on the underlying causes of conflict; and third, its impact on local-level tensions and violence. This framework allows us to assess whether different aid programs—both those aiming to build peace and those with development objectives—are bolstering or undermining the prospects for peace. The extent to which aid bolsters the prospects for peace depends partly on whether it helps build confidence between conflict parties and supports the institutions needed to achieve progress towards peace (see box 5.1). This chapter presents findings from the case studies, media assessment, interviews, and secondary sources on how programs of different types affect the scope for building a sustainable peace.

5.1 IMPACT ON PEACE NEGOTIATIONS

Development policies and projects are directly related to peace negotiations

Development initiatives and foreign assistance are important elements of peace negotiations in Myanmar. As chapter 3 showed, development is a core political and security issue for both EAOs and the government. International aid agencies have not always made these connections and, as a result, have at times undermined EAO confidence in the peace process.

Processes of development, and policies and projects to support them, have been at the heart of peace negotiations in Myanmar. The Nationwide Ceasefire Agreement (NCA), signed by eight EAOs in 2015, directly refers to development projects and foreign aid in conflict-affected areas (see box 5.2). Bilateral ceasefires and public statements released by EAO coordinating bodies have also frequently referred to economic initiatives, public service provision, and specific measures. For instance, the 2012 agreement between the Government of Myanmar and the Karenni National People’s Party states: “to ensure transparency around planned megaprojects (including the Ywathit Hydropower Project), both parties agree to provide information to the public and to allow the local people and community-based organizations to seek information.” [212] This call for transparency reflects the lack of information and longstanding mistrust seen in past development approaches.[213]

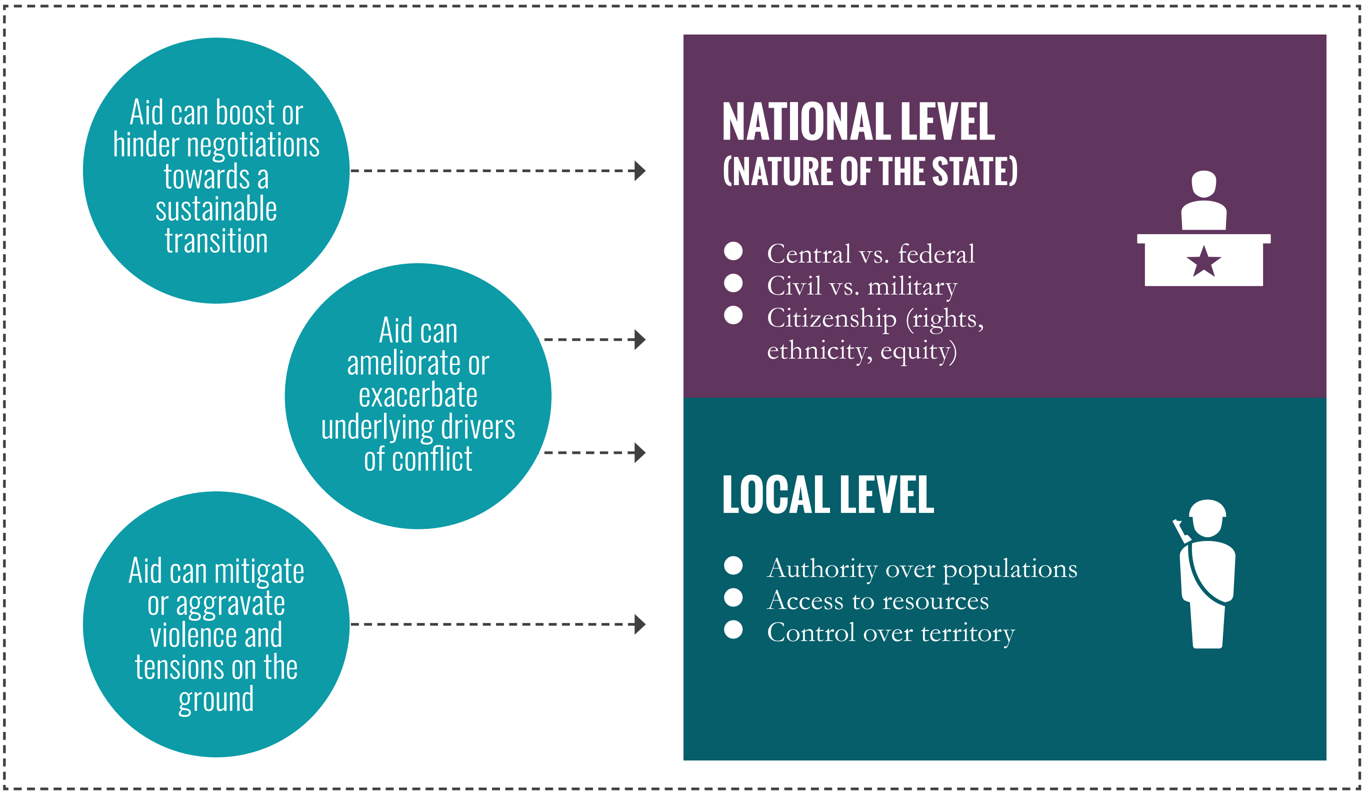
The prominent reference to development within the NCA suggests that both the government and EAOs recognize that development will inevitably impact conflict-affected areas. Needs in such areas are often great, and development initiatives, including those supported by foreign aid, can improve people’s lives when they are designed appropriately and implemented well. Yet the agreed terms also show that there must be consensus between the government and EAOs on what is being done and how. Where this does not happen, development projects have the potential to erode the confidence of parties to the peace agreement.

Development initiatives, even when they bolster development outcomes on the ground, will not lead to peace. Positively, State Counsellor Aung San Suu Kyi has rejected a long-held government belief that development initiatives can bring peace.[214] Earlier chapters of this report have provided evidence that supports her views and challenges established assumptions. Sustainable peace requires forging political consensus between parties to the conflict.

Yet, while development interventions will not bring peace, they risk making peace less achievable. Efforts to extend government authority through

FIGURE 5.1

Three ways aid affects prospects for peace


Aid can boost or hinder negotiations towards a sustainable transition
Aid can ameliorate or exacerbate underlying drivers of conflict
Aid can mitigate or aggravate violence and tensions on the ground
NATIONAL LEVEL
(NATURE OF THE STATE)
Central vs. federal
Civil vs. military
Citizenship (rights, ethnicity, equity)
LOCAL LEVEL
Authority over populations
Access to resources
Control over territory

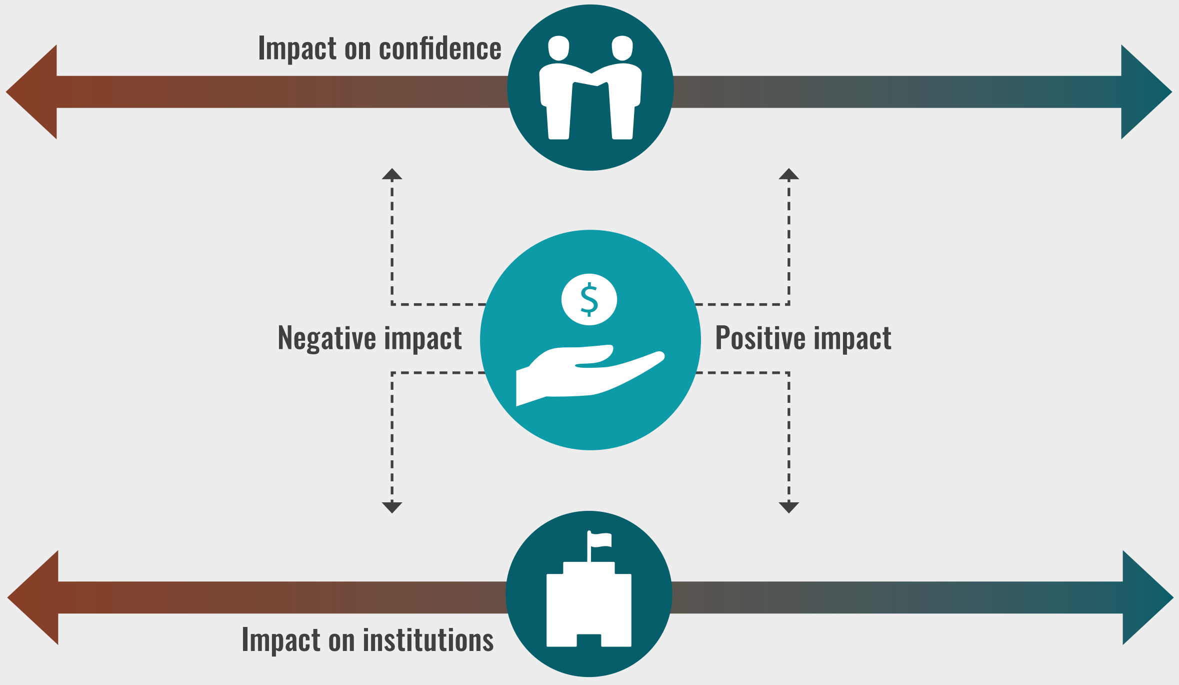
BOX 5.1
Confidence, institutions, and Myanmar's subnational conflicts

Two factors are particularly important in building and sustaining a peace process.[215] First, a threshold of *confidence* has to be built among key actors such that a peaceful resolution to the conflict is in their interests. Investing in a peace process can be risky for those who have used violence. Groups need to feel sure that the compromises that joining a political process entail will not undermine their core interests and objectives. They need to be confident that their commitment to change will be matched by their adversaries, and that they are not simply being tricked. Building confidence can be challenging in environments where sustained subnational conflict has led to high levels of mistrust.[216]

Second, progress in peace talks needs to be embedded in both temporary and permanent institutions rather than relying on informal bargains and dialogues. Typically, peace processes need the support of temporary institutions such as monitoring teams and negotiating forums. Over time, more permanent mechanisms will be required to embed the principles of the eventual peace settlement, stop backsliding on commitments, and enable future peaceful resolution of disputes. Permanent improvements often involve reforming or strengthening core government structures—the constitution, legal system, state and region parliaments and administrations, and civilian oversight of the military. At times, specific structures to cater to conflict-affected areas or minority populations are needed.

Foreign aid has the potential to support or undermine confidence and institutions. It can either boost or diminish confidence by sending out signals about who is likely to benefit. It can improve trust across conflict lines, by supporting networks and working relations between current enemies, but it may also inadvertently undermine relations, particularly if its impact is seen as biased or unfair. It may strengthen the temporary and permanent institutions needed to find and implement a peace settlement—for example by providing capacity or financial support to ensure agreements are implemented—but it may also erode them, by investing in overlapping parallel negotiating processes or empowering one or more parties to the negotiations at the expense of others. These two concepts are applied throughout this chapter and the next.

FIGURE 5.2
Aid's impact on confidence and institutions



BOX 5.2

EAOs and development in ceasefire areas: commitments in the 2015 Nationwide Ceasefire Agreement

The Nationwide Ceasefire Agreement directly addresses EAO involvement in development interventions. The "Future Tasks" chapter of the Agreement describes the responsibilities of EAOs in ceasefire areas following the signing of the agreement, including:[217]

- *Projects concerning the health, education and socio-economic development of civilians;*
- *Environmental conservation;*
- *Efforts to preserve and promote ethnic culture, language and literature;*
- *Matters regarding peace and stability, and the maintenance of rule of law in the said areas.*

The subsequent point is especially important for international aid providers:

- *Receiving aid from donor agencies both inside and outside the country for regional development and capacity-building projects*

Having established a basis for receiving international assistance, the next paragraph then explains how projects should be carried out. It states that any initiative that may have a major impact on civilians living in ceasefire areas should be undertaken "in consultation with local communities" and "coordinated with relevant ethnic armed organizations."

development have often met with resistance from EAOs, undermining confidence in the ongoing peace process and at times leading to violence. For EAOs, the peace that government pursues through development initiatives can come with unacceptable terms.

For the government, new infrastructure and service provision offer opportunities to extend its authority at the local level. For example, the Ministry of Border Affairs and other government departments often prioritize some conflict-affected areas for new infrastructure projects as part of efforts to weaken armed, antistate groups and their relationships with their constituencies, in order to bring EAO soldiers and communities into the government fold.[218] Many EAOs have also used development initiatives in their areas to expand their authority and legitimacy.

Ceasefire agreements and peace negotiations generate opportunities to improve living standards and security, yet they arouse particular concern if they lead to accelerated development without concurrent political reforms. For example, the benefits of improved public services, new economic opportunities, and greater security in parts of Kayin State during the ceasefire period that started in 2012 have been significant for local residents.[219] But where the government or an EAO is using a break in overt violence as an opportunity to expand its authority, and little progress is made towards the negotiated political changes that are needed to end conflict sustainably, development initiatives can provoke antagonism. Controversies surrounding past development programs during ceasefires, such as during the long ceasefire in Kachin State that ended in 2011, have led armed groups and ethnic leaders to promote 'peace before development.'[220]

These dynamics have implications for foreign aid agencies seeking to support development in conflict-affected areas. Understandably, many aid agencies will seek to roll out development work in these areas. Needs are great, and given that subnational conflict areas constitute around one-third of Myanmar's territory, making a dent on national indicators of poverty and human well-being requires working there. Yet aid agencies operating in such areas enter a tense and complex environment. They need to ask who is developing whom, and with what objective. Support for large, high-profile initiatives that do not have the approval of EAOs operating in the project area, such as proposed major infrastructure projects, carry particular risks. Some donors have, however, repeated the broad assumption that infrastructure and economic development is likely to lead to peace, without always considering how their policies, and those of the Government of Myanmar, affect confidence in the ongoing peace process.[221]

Foreign aid that supports political reforms also has implications for the prospects of finding a sustainable, negotiated settlement to the country's subnational conflicts. International development assistance that backs political reforms and changes in the nature of the state can bolster the peace process by supporting political dialogue, potentially leading to shared agreements on relevant issues.[222] Perhaps the most prominent issue concerns proposals for further decentralization and its association with federalism, a core element of the peace process to which both the government and ceasefire EAOs are committed. Where development assistance can support shared agreements on decentralization, it can enable progress towards future federal structures and associated subnational governance capacity. But as with other sectors, aid in support of reforms that affect subnational conflict areas can reduce the confidence of EAOs and other influential local groups in the peace process. If reforms appear to be externally devised and imposed, they may exacerbate longstanding grievances.

More so than in most conflict-affected countries there is fairly widespread awareness among aid agencies of Myanmar's subnational conflicts. Numerous aid initiatives have been implemented in conflict-affected areas, and donors have made some headway with efforts to integrate peace and conflict considerations into their programming. Yet many challenges remain, especially in national programs (box 5.3).

BOX 5.3
Conflict sensitivity and aid

The practice of 'conflict sensitivity,' or mitigating the risks associated with conflict, is reflected in most aid agencies' strategies in Myanmar. Many organizations have invested substantial resources employing dedicated conflict or peacebuilding advisors or committing political staff to follow the peace process. According to one study, donor agencies in Myanmar employ a greater number of conflict advisors than in many comparable conflict settings.[223] Advisors have also worked for multidonor trust funds and have been hired by some of the largest INGOs implementing development projects in Myanmar, such as PACT and Save the Children.

Most representatives of a cross section of donor agencies surveyed in 2016—25 out of 32 interviewees—said that their agencies practice some form of conflict sensitivity.[224] This is an important and positive finding, given that the increasing focus on support for government policies and disbursing large sums to national-level programs may have led aid agencies away from working on conflict issues.

Applying research to practice and implementing these principles requires ongoing analysis of conflict dynamics to adapt programs accordingly, and operational guidance to ensure implementation. For example, the 3MDG Fund ultimately devised a dedicated strategy for working in conflict-affected environments. Many organizations also train staff in relevant skills and procedures. The Asian Development Bank established a special team and a tailored approach to vetting proposals for Myanmar. 'Context Sensitivity', as it is informally known, acts as a filter to identify and respond to potential problems that projects may cause, ideally before they arise.[225] The approach bears some similarity to 'Do No Harm' procedures in emphasizing the value of careful communication and consultation.

Aid agencies have also worked to improve their collective practice. A donor coordination body, the Cooperation Partners Group, has formed a work stream on peace and development to facilitate reflection and share good practices. The Peace Support Group, the primary coordination body for the international community's political support of the peace process, has drafted a set of operating principles for aid agencies in Myanmar.[226]

Despite these positive steps, aid agencies still encounter major challenges in advancing the conflict sensitivity agenda.

'DOWNSTREAM' APPLICATIONS

The influence of advisors is often constrained by their downstream role. Conflict sensitivity is frequently framed as a risk management approach or a body of technical knowledge that is only considered relevant after senior managers or project planners (often located in overseas headquarters) make strategic decisions about how aid should be spent and what form interventions should take.

Interviews revealed widespread frustration at the limited reach of measures to integrate conflict concerns when deciding what agencies will spend their money on. Advisors and others commented that, while some programs within their agencies were responsive to conflict concerns, others that should have considered them did not

BOX 5.3
Conflict sensitivity and aid

do so. This was especially the case in larger agencies that operate across a range of sectors at the national level. It is crucial that conflict sensitivity concerns be assessed early by decision-makers responsible for the strategic composition of aid portfolios.

Structural aspects of aid delivery also limit the scope for conflict sensitivity. Practices such as rapid staff rotation and heavy administrative demands that dominate specialist time tend to discourage work on complex conflict concerns. Disbursement pressure—the need to spend funds according to annual budgets—motivates donor staff to prioritize less difficult and more predictable areas of work. Cross-cutting concerns such as conflict sensitivity are also often poorly resourced.

UPTAKE AT THE NATIONAL LEVEL

Conflict sensitivity is typically applied only to initiatives operating directly in conflict-affected areas. Programs that work at the national level, whether supporting policy reforms or specific projects, are often not approached from a conflict-aware perspective.

Examples include various nationwide initiatives in sectors such as education and power distribution. This is a serious shortcoming, as many of the drivers of conflict are not determined at the local level, but stem from features of the central state and relate closely to national policy. Conflict issues are politically sensitive and donors typically avoid controversy by steering clear of such controversial topics with national counterparts. Government representatives sometimes wish to avoid any topic that approaches the domain of the Tatmadaw, or they may be genuinely unaware of conflict issues and how government initiatives may be perceived in contested areas.[227]

Some aid programs that work with the government adopt specific measures to improve conflict sensitivity, in some cases building practical guidance into the design. For example, the World Bank has supported conflict sensitivity training for government staff along with funds provided for the government's National Community Driven Development Project. Department for Rural Development officials responsible for the project have maintained an ongoing dialogue with EAO leaders as well as respective state chief ministers.

UNDP, with technical assistance from a peacebuilding NGO, aimed to build high-level awareness of conflict sensitivity in development projects by backing an interministerial working group that brought together members from different government bodies. The main purpose of the working group was to share lessons about current practice and experience integrating conflict sensitivity into local and community development projects under the auspices of relevant line ministries.[228]

Efforts to tailor approaches to conflict concerns do not always need to rigidly follow a conflict sensitivity approach. It may sometimes be simpler to promote decentralized or flexible approaches that consult widely and respond to context. Similarly, policy initiatives can indirectly address conflict by considering the specific needs or expectations of marginalized groups.

GUIDANCE ON PRACTICAL CHALLENGES

Generic conflict sensitivity recommendations for public engagement provide limited guidance when operating in areas of competing or irregular leadership structures. Principles of inclusion, as captured in documents such as the Peace Support Group's 'Basic operating principles for Myanmar', emphasize the need to consult powerful interests—EAOs, militia groups, and border guard forces, as well as civilian and religious leaders. Yet such consultation can also strengthen the influence and legitimacy of unaccountable leaders.[229]

In practice, contextual understanding and experience are needed to negotiate many challenging conflict issues, including the politics of selecting partners and consulting appropriately. Even programs that are designed in-country may afford little space to understand and respond to Myanmar's great internal diversity. If clumsily applied, international toolkits or training offered to local organizations by international specialists can undermine existing knowledge and contextually grounded ways of working.

Where a development policy or initiative affects subnational conflict areas, how it may shape peace negotiations requires careful and politically-informed thinking by donors. In some cases, supporting the roll out of government programs without considering the recommendations of EAOs and the wider ethnic population risks undermining confidence in the process. Similarly, support for the provision of services or other extended outreach by EAOs or affiliated groups in areas of mixed authority without input from the government, can lead to tensions and reduce trust. Conversely, if aid agencies can support initiatives that allow negotiated action points to be implemented, they can bolster the peace process.

Recognizing multiple service providers can support reconciliation

Failing to recognize ethnic health organizations and their work risks further marginalizing ethnic communities, heightening ethnic mistrust which is already high as a result of past and ongoing abuses by the central authorities.[230]

The field of service provision—especially health and education—illustrates how aid can potentially support or undermine peace talks. By continuing to identify and support genuine alternative providers while peace talks continue, aid agencies can demonstrate a balanced position that does not destabilize ceasefires and ongoing negotiations.

Aid funding for service provision will likely continue to grow in Myanmar, as donors increasingly work directly with government departments and as services expand across the country. The Government of Myanmar has the overall responsibility to ensure adequate and affordable education and healthcare and national programs can play a critical role. But the government is not—and need not be—the only provider. Alternative institutions are crucial to improving health and education outcomes, particularly by reaching remote and vulnerable populations. In conflict-affected areas, aid-funded initiatives, including the Three Millennium Development Goal Fund for health and the Myanmar Education Consortium, have continued to work with local ethnic providers. These nonstate service delivery agencies, including departments of EAOs, local nongovernmental organizations, religious bodies, and community-based organizations, are often quite large and well organized.

Support for nongovernmental providers offers not only the opportunity to reach otherwise inaccessible areas, but also the chance to build confidence in the peace process. Government and EAO leaders, during conversations in early 2017, mentioned service expansion by the opposing group as a cause of mistrust that undermines confidence in the peace process.[231] Rural schoolteachers are often some of the first staff the government deploys after new territories have been brought under government control. Saw Law Eh Moo, the Karen Education Department Secretary, explains further how service provision can undermine confidence in the peace process:

In the military, there's a demarcation line. If they cross it, they have to let us know ahead of time. But for education, that demarcation line doesn't exist.[232]

Service expansion can be a way to stake a claim to or consolidate authority over contested areas, especially during ceasefire periods. Donor support that enables such expansion by the government, or in some cases by EAOs and other armed groups seeking to strengthen their own ties with the population, may destabilize the peace process. Education is particularly controversial, and is sometimes perceived as a tool for government assimilation of ethnic minorities. While the Myanmar language is dominant in government schools, and course content is overwhelmingly based on a majority perspective, ethnic providers typically operate in local languages and offer different curricula.

Moving the convergence agenda forward

Donor support for greater alignment between health and education service providers can back common approaches between conflict parties and recognize the need to build on existing local practices. Balanced and considered donor assistance can avoid supporting centrally devised government plans that have undermined confidence in and commitment to peace negotiations.

At times, some donors have failed to recognize the value of alternative providers of services and the importance of engaging them. Inevitable power asymmetries mean that government typically has the upper hand in dictating terms when discussing service delivery, and ethnic service providers insist that merging with government depends on a transition to a federal system that would offer devolved authority. A rapidly agreed and government-led convergence agenda would fail to gain the full support of many local service providers, and would also risk undermining the complex, organic cooperation mechanisms that have evolved on the ground during long-term, pragmatic coexistence, particularly during long ceasefire periods.[233]

In 2012, following new ceasefires in southeastern Myanmar, a network of ethnic health organizations from the region formed the Health Convergence Core Group and laid out principles for increased engagement with the government healthcare system.[234] These principles underline the need to move in step with the peace process and to emphasize the continued role of ethnic systems.

By 2014, the notion of a 'convergence' of state and ethnic providers had caught the attention of aid agencies: donor representatives commented on the desirability of promoting unified health and education systems in the future. In southeastern Myanmar, internationally funded NGOs, including the International Rescue Committee and World Education, were able to support joint policy development, coverage mapping, service delivery, and steps towards mutually recognized accreditation. Progress was slow but positive, providing experiences that could be adapted for other parts of the country. Wider progress was slow, however, given government reluctance to fully recognize and endorse alternative systems.

Finding ways to support multiple providers of assistance, including but not limited to the government, is key, both to improve development indicators on the ground and to ensure that development programs support, rather than undermine, peace negotiations. The terms of the 2015 NCA imply shared decision-making rather than centrally defined approaches to service provision. Many other countries—from Canada to India—operate bilingual or multiple-language systems, and a similar appropriately tailored approach could be developed for Myanmar's education system in areas where ethnic minorities predominate. Similarly, in most countries services are delivered by a range of agencies rather than by a sole government provider.

5.2 IMPACT ON THE UNDERLYING CAUSES OF CONFLICT

Ceasefires or peace agreements may collapse over time, as has been the case in Myanmar's past.[235] Consolidating peace requires that the deeper, underlying causes of conflict be addressed. Sustainable peace will depend not just on today's leaders agreeing to put down their weapons, but on fostering institutions that can manage future conflicts in ways that are seen as legitimate.

Through the ongoing peace process, some consensus has emerged around identifying and addressing the underlying causes of conflict. As stated in the NCA, peace depends ultimately on negotiations to

> *establish a union based on the principles of democracy and federalism in accordance with the outcomes of political dialogue and in the spirit of Panglong, that fully guarantees democratic rights, national equality and the right to self-determination on the basis of liberty, equality and justice while upholding the principles of non-disintegration of the union, non-disintegration of national solidarity, and perpetuation of national sovereignty.*[236]

Aid can affect the progress of political, economic, and institutional change towards or away from these objectives. It can influence the way that state institutions evolve and the policies that they adopt. In Myanmar, aid may affect the drivers of subnational conflict—positively or negatively—in several ways.

Foreign aid supporting the central state can mitigate or aggravate underlying drivers of conflict

Large aid programs typically need the support and involvement of the government if they are to have a significant impact. Aid agency officials and staff of intermediary organizations delivering individual projects also have to maintain good relations with their counterparts in government in order to operate effectively. An effective and legitimate state will be important for Myanmar's future development.

At the same time, donors need to recognize that the government is an actor in Myanmar's ongoing subnational conflicts and that its legitimacy is challenged across significant parts of the country. Foreign aid has a role to play in strengthening the finances and capacity of the state, something necessary for longer-term improvements in development indicators. However, such aid can also encourage the highly centralized decision-making and implementation that is still common in the country. Direct transfers of resources to government bodies will sometimes be a suitable way to help build the state's ability to deliver services. But such transfers also sometimes leave politicians and senior civil servants with little incentive to respond to the specific needs of minority populations and conflict-affected areas.[237] This unintended outcome can widen the gap between the state and its citizens that has been perpetuated by past military-led governments and has been cited repeatedly as a rationale for armed resistance. It is crucial that the expansion of the state takes place gradually through negotiated political agreements, and be matched by consultations and other measures to increase the legitimacy of the process among local leaders and communities.

Following recent national reforms in Myanmar, Western donors in particular have gone from avoiding the government to seeking closer relationships and providing funds directly to it (see chapter 4). Assessments from many countries have repeatedly found that foreign aid channeled through, or directed by, central states often neglects subnational conflict tensions and related inter-regional differences, and it will take significant, proactive measures to ensure that the same does not occur in Myanmar.[238]

Many donors are aware of these tensions. International aid agencies have funded repeated trainings on conflict sensitive approaches, produced shared guidelines, and commissioned research. Projects, often implemented through nongovernmental channels, have integrated these steps. But it is especially hard to do so through programs of financial support and technical assistance to central government ministries. Donor representatives stated during interviews that the conflict advisors employed by many aid agencies have had little success in influencing the form of national level aid initiatives.[239] Integrating conflict sensitivity into government programs depends on the receptiveness of the relevant ministry and the ability of donors to explain the practical value of such approaches.

Some specialists seconded by donors to work with ministries, and the specialists' government counterparts, show minimal interest in addressing conflict-related details in core fields of government activity (see box 5.4). Technical assistance to the government is a new activity for most aid agencies in Myanmar, and the priority is to establish relationships—where few existed five years ago—so that core policy, planning, and implementation issues can be tackled. But, while building relationships is important for donors, it is also important to recognize the risks that it entails.

BOX 5.4

Recording religion and ethnicity in the 2014 national census

Donors provided about USD 60 million of support to assist the government in undertaking Myanmar's first national census in 31 years. The initiative succeeded in building a statistical database to support future planning, despite some questions over enumeration methods.[240] More immediate concerns were aired by international and domestic critics, including some advisors in donor agencies, over the recording of sensitive data on people's ethnic and religious origin, particularly during ongoing peace talks.

Government-generated ethnic categories used in the questionnaire exacerbated the acute intercommunal pressures in Rakhine State and led to protests by ethnic leaders in other areas. The Kachin Independence Organization and parts of the Karen National Union denied access to census takers in some areas they control. In parts of Kachin State, Tatmadaw soldiers were deployed to enable enumerators to gain access, and in Rakhine State, no one self-identifying as Rohingya was enumerated after the census caused an escalation of ongoing ethnic tensions.[241] International assistance for the census, managed by the UN Population Fund (UNFPA), did not engage with the challenging issue of ethnic identification, despite warnings that the issue might generate antagonism and, potentially, violence. The ethnic categories unnecessarily inflamed tensions in the short term, and to date, no ethnic statistics have formally been released by the government. The census organizers and funders could have avoided these tensions if they had chosen not to gather ethnic data. They also missed a rare opportunity to tackle the prescriptive classification of people according to arbitrary ethnic categories that has been a long-term, underlying driver of conflict.

The need to maintain good relationships with the recipient government, and the application of common technical approaches that gloss over complex political issues, can inhibit aid agencies from addressing conflict-related concerns.[242] For example, some research conducted by aid agencies appears to avoid more than a passing mention of conflict factors despite covering areas where nonstate armed actors are among the dominant governance institutions.[243]

However, there is scope to work with the government to design and implement development projects in ways that are less likely to exacerbate conflict. Interviews conducted with senior government officials in Naypyidaw showed strong awareness that the peace process is a core national priority. Many Director Generals highlighted the contribution that their ministry could make to the peace process, particularly through political and fiscal decentralization and associated devolution of power.[244]

There are also numerous cases, in many sectors, of positive practices by aid agencies working at the national level in Myanmar. For example, donors have backed the government's decentralization efforts, building the effectiveness and accountability of state and region level bodies that have already assumed greater authority following recent reforms. Relatively uncontroversial measures to develop capacities for revenue collection and service delivery have demonstrated the potential for further steps towards devolved governance. Additional measures to involve EAOs, subnational political leaders, and civil society leaders in the debate over decentralized government can build awareness of possible post-conflict political structures. Local leaders may otherwise find it hard, after decades of conflict, to visualize a way to engage in nonviolent policymaking.

Development interventions that build a common sense of shared citizenship by recognizing and promoting ethnic and religious diversity can also prevent conflict tensions from emerging or intensifying. Existing policies that stress the inclusive nature of government provide a starting point. Inclusive approaches to ethnic languages, culture, religion, varied versions of history, and promoting the representation of minorities in governance bodies are key if national programs are to address the drivers of conflict. Conflict sensitive aid programs should consider diversity in policy and practice, working with the government, for instance, to support the training of local teachers and education administrators rather than deploying employees from elsewhere. Programs can also consider supporting more sensitive language policies across many fields of activity.

Major resource exploitation without local gains generates grievances that drive conflict

Since reforms and the 2015 election, development actors previously restricted by Western sanctions on Myanmar have looked for new opportunities to provide concessional loans and grants for large infrastructure plans. High-profile cases in conflict-affected areas include funding from the Asian Development Bank and the Government of Thailand for a new main road, known as the Asia Highway, in Kayin State.[245] Large infrastructure and resource extraction projects, including mines, pipelines, dams, plantations, industrial estates, and main roads, are high-profile examples of initiatives receiving both foreign commercial backing and concessional donor funding.

Many such projects have the potential to bolster growth, but they can also lead to major public relations challenges. Domestic and international campaigners readily pursue even indirect associations between foreign aid and controversial investments in Myanmar's contested areas. The International Finance Corporation, for example, was targeted in national media following advocacy reports linking it with the Ban Chaung coal mine in Thanintharyi through its purchase of stakes in banks that have connections with the Thai firm leading the project.[246]

In many cases, these initiatives have also heightened conflict between the Tatmadaw and EAOs over territory and access to resources. In particular, funding in these fields risks continuing the transfer of resource profits out of ethnic minority areas where they are often generated. Benefits that accrue to crony businesses, to the central state, and to foreign concerns, without commensurate rewards for people, local businesses, and leaders in contested areas of the country, create resentment over the perceived exploitation of the periphery by the center. Such resentment has provided the leaders of ethnic armed organizations with both a rationale for armed resistance and a means to rally support for their cause from aggrieved populations.

Disputes over land tenure, a pressing concern across Myanmar, are often associated with large projects. Forced displacement (or land grabs) for private concessions and sometimes for military use have caused hardship and generated widely publicized protests, adding to economic pressures felt most acutely by smallholders in a time of rapid transition.[247] Investments that lead to land seizures risk adding to long-term patterns of displacement and entrenching conflict grievances. In some conflict-affected areas, land tenure is complicated by multiple land registration systems. Traditional tenure arrangements, which are poorly addressed in government land policy, receive more recognition through customary systems and through land registries run by some EAOs.[248]

Dams that can generate grievances. The complex associations between large resource initiatives and conflict are shown clearly in high-profile controversies over large dams in conflict-affected areas of Myanmar. Dams attract intense domestic and international protest, opposition from ethnic armed organizations, and media attention.[249] As with other large investments, there is controversy over who benefits from dams, their negative impact on livelihoods and the environment, and how the Tatmadaw uses new construction initiatives to expand the state's authority.

Controversial proposed dam sites include the Hatgyi Dam site in Kayin State, the Mong Ton dam in Shan State, and the currently suspended Myitsone Dam in Kachin State. At these sites, a combination of civil society protest and opposition by some armed groups has generated high risks for potential investors and created stumbling blocks for the peace process. Dams have repeatedly triggered violence, and construction workers have occasionally been attacked.[250]

International financing of new dam projects is closely scrutinized; it was specifically mentioned in 80 percent of the extensive media coverage on dams that was reviewed by The Asia Foundation.[251] Criticism is also directed at governments—including Western donors and neighboring countries—that support hydropower projects in Myanmar alongside companies from their countries. Several large proposed projects are designed primarily to export electricity to Thailand or China, arousing particular frustration among ethnic rights campaigners and politicians who state that the potential benefits will accrue to neighboring countries, construction firms, and the central government while communities close to the dam will suffer the potential negative impacts.[252]

Conflict sensitive approaches to power generation. Myanmar urgently needs new electricity. Hydropower, along with other sources, has major potential. More open debate and consultation is necessary (see box 5.5), but it may not be enough on its own to avoid further conflict. New investments need to offer tangible benefits to the country as a whole, but especially to populations in areas where electricity is produced, in order to counter prevailing expectations of exploitation. Where ethnic leaders strongly resist proposed plans, large-scale investments should be put on hold until there is further progress towards peace.

The government, with donor support where useful, can aim to maximize the share of generated energy retained

BOX 5.5
Making decisions over new dams

The potential of hydropower dams, and their controversial international track record, encouraged the International Finance Corporation (IFC), the arm of the World Bank Group that lends to the private sector, to improve the overall knowledge base and investment environment for the sector in Myanmar. Working with the government, the IFC has built up an information base and set up a nationwide consultation process as part of a Strategic Environmental Assessment.[253] The approach builds on support from the Japan International Cooperation Agency and the Asian Development Bank for strategic planning in Myanmar's energy sector. It aims to gather information, including a more comprehensive hydropower database, and have a comprehensive consultation process.

Public engagement with the consultation process has received mixed feedback. Some participants have praised the opportunity to engage while others have complained that the government and donors may have already committed to build large new dams.[254] The process has evolved over time as the IFC adapted existing assessment methodologies to address conflict concerns and enlisted advisory support.

Specialists have raised concerns that international aid agencies' recent interest in funding new dams compounds long-term pressure from construction firms and from state-owned companies in neighboring countries looking to source power from Myanmar.[255] The result may be that public and political consultation, including elements of the peace process that address development plans, will be cut short unless donors encourage further debate.

Many stakeholders, from armed groups to international investors, have strong interests in influencing decision-making processes. A failure on the part of project planners and funders to engage appropriately with different interest groups may lead to unpredictable outcomes, raises the risk of further violent conflict at proposed project sites, and undermines confidence in ongoing peace processes. Building peace, while generating growth from the natural resource base in conflict-affected parts of Myanmar, will require a stronger institutional platform to manage the decision-making process and generate accepted ways of sharing the benefits.

domestically (rather than exported to neighboring countries), especially within states and regions where the electricity is produced. It is particularly important that the negative effects of dams be minimized, that affected people receive compensation, and that power be provided to surrounding areas. Donors and the government need to work on an improved political process for decision-making, building on work to date that encourages consultation as well as technical assessment.

In Myanmar, the location of many proposed large dams in highly sensitive, conflict-affected areas means that extra consideration needs to be given to the political risks of negative local impacts and to the related importance of generating local benefits. In those locations where the option is technically viable, smaller-scale hydropower projects merit consideration as an alternative that could offer the government, EAOs, and foreign actors an opportunity to improve access to electricity while delaying consideration of the most challenging projects until a political settlement has been reached. Smaller dams are less likely to further entrench cycles of conflict, even if their overall contribution to the national power supply is more costly on a per-unit basis.[256]

Foreign assistance can help to reduce the opaque deals that perpetuate cycles of violence

Unless steps are taken to improve the opaque and poorly regulated governance environment in contested areas, new investments may end up perpetuating the conditions that have heightened conflict. Foreign aid can help to institutionalize better practices, laying the groundwork for sustainable peace.

For decades, both ceasefires and business deals in subnational conflict areas were agreed relatively informally between influential individuals. Myanmar's former military governments offered mining, logging, and other trade concessions in return for support from leaders and associates of businesses, militias, ethnic armed groups, and political parties. Despite some notable economic reforms, business activity in conflict-affected areas remains opaque and tends to benefit a narrow set of local and national elites.

Accelerated natural resource depletion, land dispossession, illicit trade, and illegal drug production and sales are all associated with the limited regulation and lack of accountability in many conflict-affected areas. Influential figures have operated with relative impunity. The widespread grievances of local populations over the lack of local benefits from natural resource exploitation have been well documented.[257] The absence of empowered local government or dispute resolution mechanisms at or below the state level left little space to manage tensions as warfare restarted in Kachin State during 2011, despite business links across conflict lines.

Some form of resource sharing between national and subnational levels of government will probably be part of any sustainable, long-term settlement. Progress towards this goal is likely to be slow. In the interim, donors should look for ways to improve natural resource management and decision-making over dams and other major investments. Better business practices, such as the open management standards proposed by the Extractive Industries Transparency Initiative (EITI), would help.[258] The Myanmar Center for Responsible Business is promoting improved regulatory mechanisms and incentives for investors to operate transparently, and these could be integrated into many sectors of donor engagement.

Foreign aid can also help to ensure that gradually increasing government capacity in conflict-affected areas fosters more accountable institutions. For example, donors have provided operational support to the state and region parliaments formed under the 2008 constitution. Aid funds have also been used to establish new operating practices in many government departments, nationally and in the states and regions. NGOs have received donor assistance to improve the resource management practices of some EAOs—such as the KNU's systems for recording land tenure in areas where the government has little access—through training, policy advice, and support for awareness raising.[259]

These measures can, little by little, help to change the background conditions that have prolonged violent conflict, thereby creating a basis for the institutional improvements on which sustainable peace depends. Measures to improve background conditions are likely to pay off in the future, when the negotiation of new or reformed government institutions poses new opportunities for international assistance.

Aid agencies can ensure that development initiatives support, rather than undermine, livelihoods and human rights

Development initiatives across Myanmar, especially in conflict-affected areas, have been regularly associated with infringements of human rights, environmental degradation, and damage to livelihoods, all of which increase the likelihood of future violence. The state's relationship with its citizens during five decades of military rule was characterized by coercion. Nonstate armed groups also have a long record of abuses against civilians.

In the worst-affected areas, these abuses have made rural communities extremely wary of outside interventions. People in positions of civil or military authority who enter villages—including government and even NGO officials—can arouse intense suspicion. Development projects that are implemented without prior consultation, or that cause negative impacts such as loss of land or environmental damage, can increase people's mistrust, damage relations between citizens and the government, and feed popular support for EAOs.

International assistance can support economic growth and reduce poverty in ways that do not 'develop disparities' and exacerbate conflict.[260] This section outlines some key issues and interventions for aid agencies to consider in further detail (see figure 5.3 and 5.4). At the policy level, foreign aid can promote better ways of pursuing development objectives, improving living standards without furthering cycles of conflict. A people centered, or human development, approach on the part of aid agencies is compatible with the Government's stated policy commitments and with efforts to avoid violent conflict.[261] Donor policy can encourage the government to define more clearly what such objectives may involve in practice, considering the specific context of subnational conflicts as well as other national concerns.

The pursuit of human rights can be approached as an integral part of planning. Aid agencies with a relevant mandate—donor governments and UN agencies—should emphasize internationally agreed human rights obligations along with social and economic development priorities. Once an aid agency's overall priorities are agreed to, aid practitioners can devise mechanisms that support the integration of human rights concerns into programs and projects. Examples include public consultations and participatory planning, open treatment of information and commitments to transparency, and processes that enable feedback and respond to grievances.

In contested areas, low-key measures can improve living standards while avoiding the negative impacts of large projects or an expanded government or EAO presence. For example, increased security of tenure, reduced taxation or arbitrary charges, access to affordable credit, and better access to markets can all increase the incomes of rural smallholders.[262] Government policies to stimulate and regulate private sector investment and to distribute benefits more widely among the population can be implemented, including in conflict-affected areas, without causing damaging impacts.[263]

5.3 IMPACT ON LOCAL-LEVEL TENSIONS AND VIOLENCE

At the local level, Myanmar's subnational conflicts are fought over control of territory, authority over populations, and access to resources. Aid injects new resources, with unpredictable results. The impact of aid flows is affected by wider conflict tensions, but may also simply relate to power dynamics, rivalries, or the interests of specific commanders. Some development projects directly trigger outbreaks of violence, or create disputes within and between civilian communities.

New infrastructure and economic initiatives have triggered violent armed clashes

In subnational conflict areas, new roads, dams, mines, and other large-scale investments can heighten existing tensions significantly, at times leading to outbreaks of violence. Some of these initiatives are supported by foreign aid or government-backed commercial loans. It is imperative that international agencies consider the implications of new investments in conflict-affected areas.

New roads can be particularly sensitive if they are seen to be extending the military reach of certain actors, helping the government to expand its authority, or becoming cash cows for specific groups or commanders holding taxation checkpoints. Violence erupted in 2015 between a faction of the Democratic Karen Buddhist Army and the Tatmadaw over taxation disputes along a new stretch of the Asia Highway.[264] Repeated clashes also occurred along a well-maintained route in northern Hlaingbwe, Kayin State, that is the most viable supply road to the planned Hatgyi Hydropower Dam. Aid programs should conduct adequate appraisals that incorporate critical subnational conflict factors into project identification and the preparation of large initiatives.

Development projects regularly exacerbate community tensions and disputes

Even small village funds can motivate local leaders to seek a stake in the benefits, and may unintentionally create rifts within communities.[265] These tensions are not likely to cause major outbreaks of violence or seriously undermine a peace process, but they can limit the effectiveness of development projects and generate problems for residents.

Development initiatives can stir up resentments over unequal access to new opportunities.[266] The implications of unequal opportunities are most serious in areas with ethnically mixed populations, where aid projects may end up supporting one group while failing to reach another, unwittingly fostering grievances. This pattern has been prominent in Rakhine State, where ethnic Rakhine activists who mobilized against the census also accused foreign aid agencies of bias, and their followers ransacked the offices of international organizations in March 2014.[267]

Rural residents in Kayah State and in the other project research sites have expressed doubts that they will benefit from new economic opportunities. Businesses along new roads have typically been run by recently arrived migrants from other parts of the country, and new commercial opportunities have been monopolized by outsiders. Meanwhile, rising land speculation and plantation expansion have increased the pressure on farmers to sell or be forced off their land.[268]

Local leaders sometimes oppose initiatives that appear benign to aid agency staff. A village school in Kayin State, recently constructed with international funding, was burnt down by villagers on the orders of an influential local Buddhist monk. The monk was reportedly concerned the school would bring outside influence due to the involvement of Christian aid workers.[269]

Aid agencies have often taken measures to avoid stoking tensions. Effective analysis and careful consultation are important early steps for new projects. Aid workers on the village schools project in Kayin State later said that more extensive consultation during the design phase might have saved the project by building mutual understanding and responding to the concerns of local leaders.[270] In order to avoid accusations of unfair bias, aid allocation needs to consider ethnic and other divisions. In some cases, notably in Rakhine State, this means adapting approaches to recognize political realities. It may be necessary to depart from needs-based allocation of resources in order to ensure that the end result does not appear to discriminate against particular groups.

Ensuring that aid funds are not used for security aims

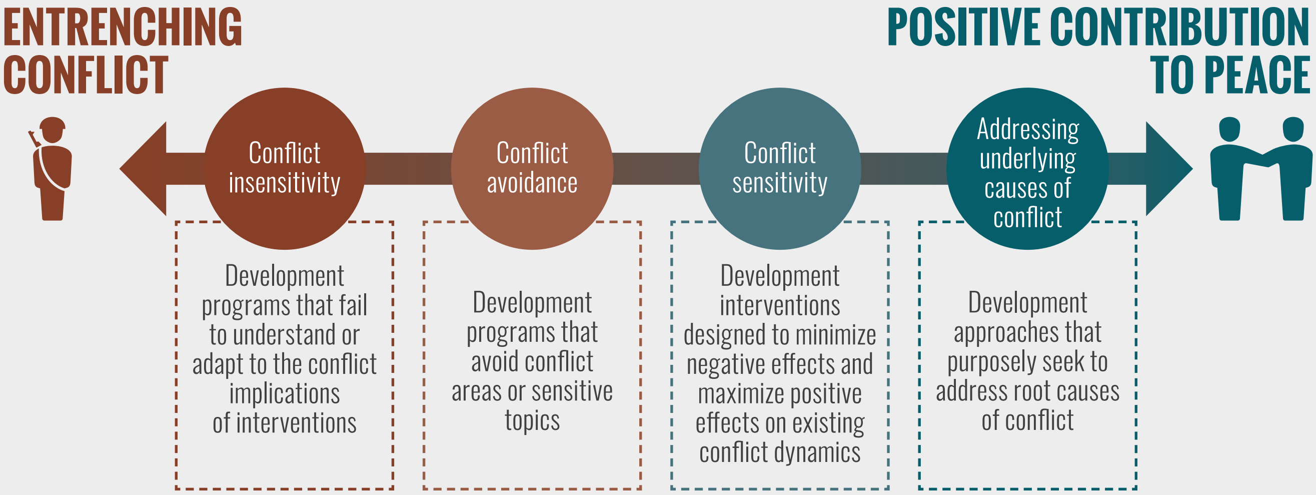
Foreign assistance can sometimes be manipulated to serve security objectives, particularly where government or EAO authorities are able to decide project locations.

Government authorities have promoted engagement at strategic locations where they wish to extend influence at the local level, and have discouraged aid agencies from working at some other sites.[271] International NGO staff reported that Kayin State authorities had directed aid agencies to areas of mixed authority. Nine newly established towns, which are all surrounded by territories controlled by EAOs, have been the site of many internationally funded projects.[272] These patterns, and similar patterns identified by aid agency staff in other conflict-affected areas, suggest that in some cases aid funding is being channeled for security purposes.[273]

Familiarity with the local context, along with consultation, has helped aid agencies better judge the implications of site selection, but for programs working at the national level, the challenge is harder. Donors may struggle to avoid funding wider programs that incorporate initiatives implemented by government departments for security purposes. An example is the Ministry of Education's deployment of over 3,000 government teachers to schools in previously inaccessible parts of Kayin State in 2011 and 2012. The teachers were deployed despite those schools receiving ongoing support from the KNU, and without consultation or coordination. The deployment did not directly generate violent conflict, but it has damaged confidence in the ceasefire among the KNU and other ethnic leaders, and it missed an opportunity to establish

FIGURE 5.3

Features of development initiatives that can contribute to or undermine peace in subnational conflict areas



ENTRENCHING CONFLICT

POSITIVE CONTRIBUTION TO PEACE

Conflict insensitivity

Development programs that fail to understand or adapt to the conflict implications of interventions

Conflict avoidance

Development programs that avoid conflict areas or sensitive topics

Conflict sensitivity

Development interventions designed to minimize negative effects and maximize positive effects on existing conflict dynamics

Addressing underlying causes of conflict

Development approaches that purposely seek to address root causes of conflict

DOES NOT OFFER LOCAL RETURNS:
Schemes with little tangible benefit for populations in contested areas, especially where they have negative impact and are undertaken without adequate analysis, consultation, or safeguards.

FAILS TO CONSULT, GENERATES LOCAL TENSIONS:
Initiatives that have little consultation with conflict parties and other local bodies, and that may perpetuate cycles of violence.

CONTRAVENES PEACE AGREEMENTS:
Projects that do not uphold provisions of the peace process, including those agreed in bilateral ceasefires and the NCA.

EXACERBATES UNDERLYING CAUSES:
Programs that perpetuate grievances over issues such as contested ethnic categories, language policy in education, or limited employment of local residents.

SUPPORTS SECURITY AIMS OF CONFLICT PARTIES:
Programs that become tools for conflict parties to extend control over resources, territory, or people.

DOES NOT ADAPT NATIONAL PROGRAMS:
Failure to adapt national programs to local conflict dynamics, or to recognize the diversity of contested areas.

PROVIDES A LOCAL RETURN:
Projects, including private investments, that demonstrate significant benefits to nearby populations and returns to others in contested areas.

STRENGTHENS SUBNATIONAL AUTHORITIES:
Measures that pave the way for future devolution of some political power under a peace agreement, such as support for accountable, decentralized government.

BUILDS COMMON GROUND:
Schemes that support commitments made in peace agreements on development issues and on cooperation across conflict lines.

DEVOLVES DECISION-MAKING:
Initiatives with bottom-up planning and consultation that enable varied responses according to local context.

ENABLES IMPROVED LIVELIHOODS:
Low-impact steps to boost living standards, earnings, and opportunities in contested areas, such as extending affordable credit, or boosting market access.

RECOGNIZES MULTIPLE SYSTEMS:
Programs that work with government and ethnic service providers, building agreement on compatibility and coordination.

FIGURE 5.4

Examples of aid agency processes for conflict sensitive programming and peace promotion

CONDUCTING UPSTREAM ASSESSMENT OF THE SCOPE TO BUILD A BASIS FOR PEACE ACROSS PROGRAMS

- Back ongoing government reform processes that tackle underlying causes of conflict
- Find entry points for inclusion and representative diversity in government programs
- Support more accountable and equitable use of natural resources in contested areas

ENSURING COMPATIBILITY WITH THE PEACE PROCESS

- Consider how to support relevant elements of the NCA, other ceasefire agreements, and ongoing peace dialogue
- As stated in the NCA, ensure that initiatives are planned *"...in consultation with local communities"* and *"...coordinated with relevant ethnic armed organizations"*

INCREMENTAL INVOLVEMENT

- Start slowly, potentially with a small number of conflict-affected townships
- Adapt and learn from approaches in conflict areas over time
- Consider pilot initiatives to introduce new ideas and practices
- Build up staff capacity and knowledge through ongoing training and careful recruitment

SCREENING ACROSS PROJECTS

- Make use of conflict sensitive indicators, context and conflict assessments, and safeguards
- Consider applying formal conflict sensitivity frameworks and other, simpler assessment tools
- Ensure that funding does not enable expansion of government or EAO presence in contested areas without prior cross-party agreement

ADAPTING NATIONAL PROGRAMS FOR CONFLICT-AFFECTED AREAS

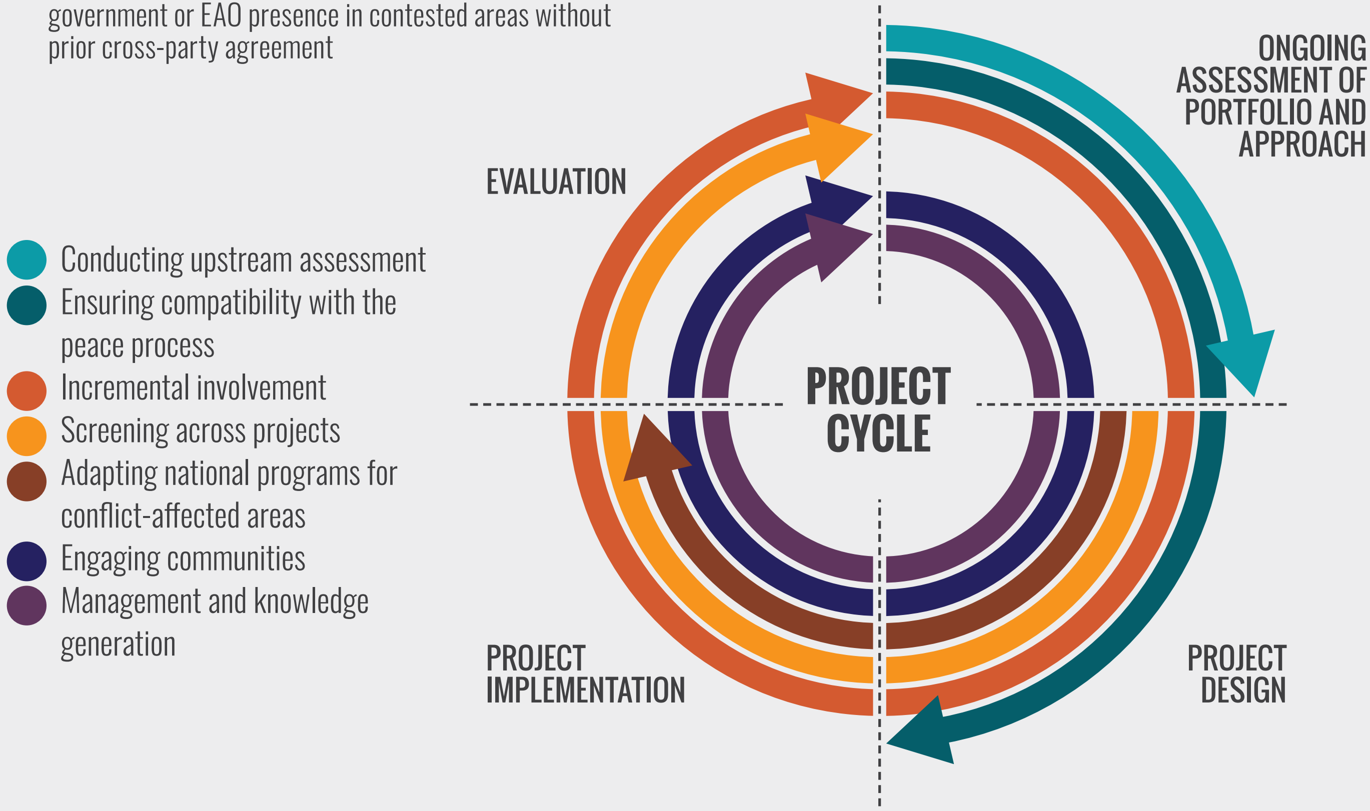
- Find entry points with both EAOs and government
- Decentralize implementation, enhancing the scope to adapt between areas and as conditions change
- Support separate mechanisms for some conflict areas, and seek diverse opinions
- Seek support and training from specialist peacebuilding agencies and experienced domestic organizations

ENGAGING COMMUNITIES

- Promote and respond to public consultations and participation in planning
- Operate as transparently as possible and share information with interested groups
- Establish effective feedback processes and respond to grievances

MANAGEMENT AND KNOWLEDGE GENERATION

- Employ local staff, recruit people from diverse backgrounds, and fund relevant training
- Prioritize training on conflict management and sensitivity for aid agency staff and counterparts in government
- Use advisors or other specialist inputs at an upstream level as well as to filter projects
- Support and share relevant evaluations and knowledge generation beyond individual projects


ONGOING ASSESSMENT OF PORTFOLIO AND APPROACH
EVALUATION
PROJECT CYCLE
PROJECT IMPLEMENTATION
PROJECT DESIGN
● Conducting upstream assessment
● Ensuring compatibility with the peace process
● Incremental involvement
● Screening across projects
● Adapting national programs for conflict-affected areas
● Engaging communities
● Management and knowledge generation

a shared approach that would have contributed to the overall peace process.[274]

Aid agencies with tight control over project planning and implementation can avoid such problems through better planning and awareness, and by adopting conflict sensitivity measures on an ongoing rather than a one-off basis. Gradual engagement in conflict-affected areas also helps agencies build knowledge and experience. The more that donors move towards budget support and other hands-off forms of assistance, the less scope there is to address these issues directly by adapting project approaches. Instead, there is greater need to integrate conflict concerns into donor policy decisions over resource allocation at an early stage.[275]

Aid agencies providing assistance to EAOs and affiliated service providers also need to be aware of controversial efforts to extend engagement with communities. Government representatives have criticized some public outreach as security-motivated expansion undertaken without prior consultation or coordination.[276] On occasion, these efforts have been supported by donor funds. Examples include contentious new school sites proposed by the Mon National Education Committee, and village meetings organized by the liaison offices of various EAOs.

Community consultations offer an important check on the views of influential individuals. In some cases, while leaders of armed groups may resist development initiatives with potential security implications, such as major road improvements, local residents may support them. Listening to local opinions, and creating opportunities for community voices to be heard by government and EAO authorities, can help achieve acceptance of much-needed services. On other occasions, resistance to proposed initiatives by EAOs and other armed groups remains a barrier. In these cases, finding alternative ways to provide support rather than relying solely on nationwide delivery mechanisms may be required. Some aid agencies have partnered NGOs, ethnic civil society organizations, and service delivery authorities associated with EAOs in order to provide support to these areas.

Small-scale, community-led projects offer some improvements to livelihoods without generating major conflict risks

In many conflict-affected townships, small-scale projects deliver common goods such as roads and improved water supplies, or services such as health, education, and agricultural advice. Interviews with rural residents and leaders have found predominantly positive views of these interventions, with respondents especially appreciating initiatives with a tangible impact. Minor roads that improve access to markets and services in nearby towns are especially well-regarded by rural communities.[277]

The process that small-scale interventions follow could support more responsive local governance. Programs such as Paung Si Lett, a European Commission initiative implemented by international and national NGOs in Kayah State, aim not only to fund small-scale initiatives, but also to improve accountability by enabling government officials to build closer links with communities. Internationally funded, participatory projects working with the government in remote villages of Namhsan Township, northern Shan State, established a precedent that enabled residents to have a greater say in how other development funds were allocated.[278] If replicated, these initiatives could bring the lowest levels of government a little closer to citizens.

Even where EAOs and activists have called for halting major development schemes prior to political progress towards peace, they have in many cases continued to support small-scale initiatives. These projects allow closer attention to conflict dynamics than do top-down projects.[279] As with other interventions, however, tensions over the role of government agencies can be a stumbling block. EAOs have in some cases refused to allow internationally funded projects associated with the government to operate in their areas. Elsewhere, community-level projects have received EAO support but then struggled to secure the involvement of wary residents.[280] Comprehensive consultation and devolved decision-making that enable communities to define what a project will deliver can sometimes secure local backing.

Some aid agencies have been able to address these challenges. The National Community Driven Development Project, implemented by the government with donor funding and technical support, has adopted many measures. In potential target townships, officials from the Department of Rural Development held early conversations with EAO leadership and local civil society leaders. Conflict sensitive features of the project have included: a rolling start (where the program began in some villages in a township first, then expanded to other, more sensitive areas later); robust information sharing (including lists of project staff to facilitate safe passage at checkpoints); and calibrated staffing (using program facilitators who speak local languages and are from the local area).

Many other initiatives, such as the USAID-funded Project for Local Empowerment, have provided small community development grants to local organizations rather than to the government. Nongovernmental organizations such as the Metta Foundation have cooperated with the Kachin Independence Organization to provide such assistance in its territory. Small-scale projects implemented in this way help ensure access to mixed or EAO-controlled territories while drawing on local knowledge and networks.

Chapter 6

IMPACTS OF FOREIGN AID FOR PEACEBUILDING

SUMMARY

The peace process is domestically led, but it receives technical and financial support from western and regional donors. China’s influence should not be underestimated.

Aid to Myanmar’s peace processes support many fields: peace talks, complementary measures to bolster the formal process, efforts to address underlying causes of conflict, and initiatives that attempt to improve conditions at the local level.

Myanmar’s peace processes have to accommodate a myriad of armed actors and complex relations between the civilian and military sides of the hybrid government. Aid agencies need to be politically astute, consider how their funding affects the conflict’s root causes, and expect uneven progress over long periods. They need to respect government sovereignty yet also recognize the longevity and legitimacy of EAOs.

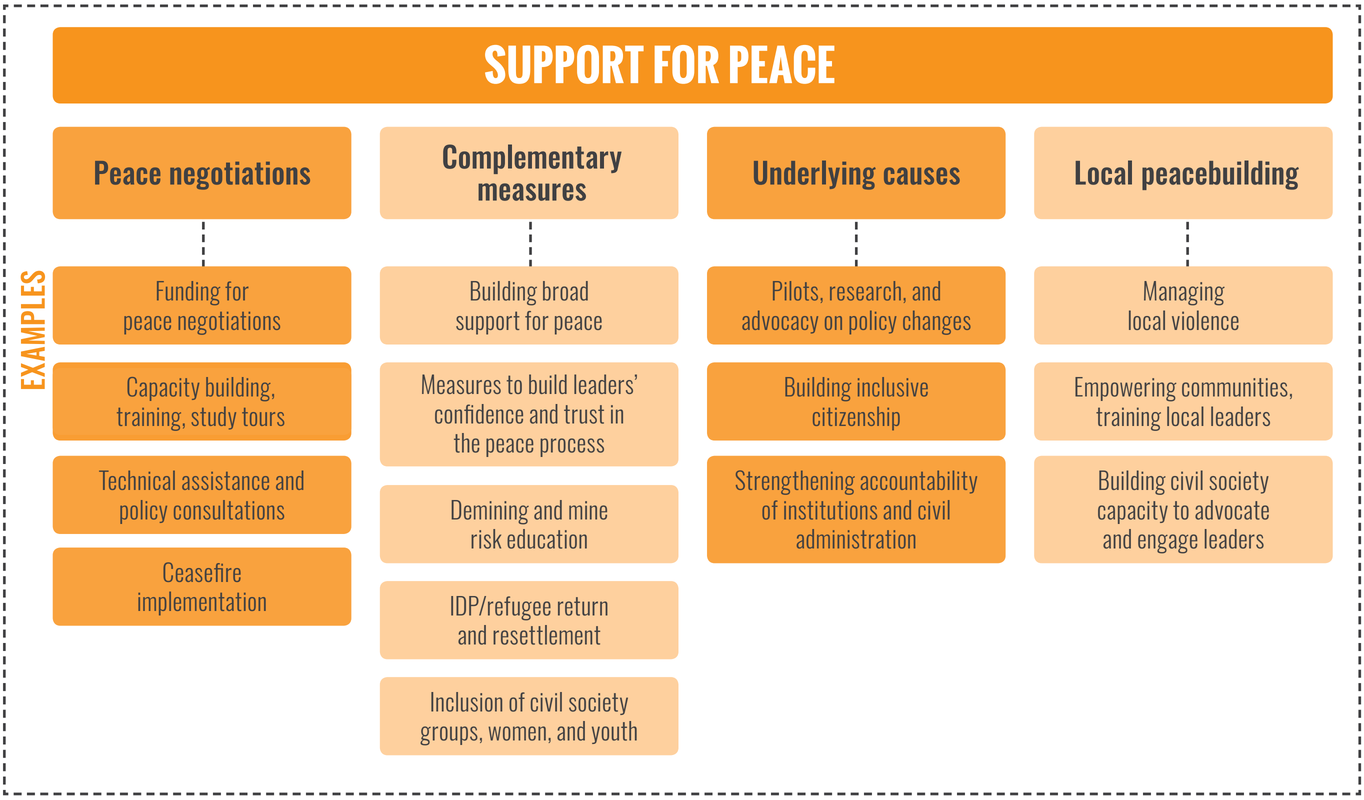
Aid agencies have been able to support transitional institutions and temporary measures that underpin peace talks, such as ceasefire monitoring mechanisms. Agencies have expanded participation by supporting civil society engagement and the increased role of women in peace talks.

Peace dividend projects bring some material benefits to communities but make little difference to the potential for a transition to peace. Donors and international NGOs sometimes overestimate the potential impact of programs, especially at the community level.

Myanmar’s recent peace processes have been domestically led but have received international financial and technical support. Building on the analysis in chapter 4 of the current state of aid and peacebuilding programs, this chapter considers the impact of foreign aid intended to support peace negotiations and other efforts to end subnational conflict in Myanmar. Peacebuilding programs in Myanmar have taken a number of different forms: support to formal peace negotiations, complementary measures to strengthen the formal negotiating process, programs addressing the underlying causes of conflict, and those focusing on local factors that exacerbate conflict (figure 6.1). The following four sections address each in turn.

FIGURE 6.1

Peacebuilding programs supported by foreign aid in Myanmar


SUPPORT FOR PEACE
EXAMPLES
Peace negotiations
Funding for peace negotiations
Capacity building, training, study tours
Technical assistance and policy consultations
Ceasefire implementation
Complementary measures
Building broad support for peace
Measures to build leaders' confidence and trust in the peace process
Demining and mine risk education
IDP/refugee return and resettlement
Inclusion of civil society groups, women, and youth
Underlying causes
Pilots, research, and advocacy on policy changes
Building inclusive citizenship
Strengthening accountability of institutions and civil administration
Local peacebuilding
Managing local violence
Empowering communities, training local leaders
Building civil society capacity to advocate and engage leaders

6.1 FOREIGN AID AND PEACE NEGOTIATIONS

Internationally supported yet domestically led peace processes

Myanmar's peace processes have been domestically led. There has been no direct international involvement in facilitating peace talks or in monitoring ceasefire agreements, despite EAO requests for a more formal international mediation role.[281] Significant resources have been invested by the Government of Myanmar and EAOs themselves, and domestic nongovernmental organizations such as the Shalom Foundation have provided facilitation and advocacy. Negotiations carried out so far have built on Myanmar's past experience of ceasefires between the Tatmadaw and armed groups.

Yet, recent peace processes have also benefited from extensive international support. The Government of Japan was a prominent international backer from 2012, providing funding for EAO leaders to attend critical early meetings with Myanmar government representatives, a measure that offered credibility and helped to build confidence. Many other countries have also provided peace-related assistance to the government, EAOs, and civil society. Key elements of the NCA are influenced by internationally recognized practice. Specific provisions of the agreement, such as joint monitoring mechanisms, and aspects of the main negotiating process itself formal ceasefire document, benefitted from quiet advice provided through international channels.

China is the most influential foreign actor in the peace processes. As a close neighbor with complex ties in border areas and across Myanmar, China's role is multifaceted. The Chinese government has backed efforts to encourage more EAOs to sign the NCA, and has pressured the Tatmadaw to allow barred groups to participate. China's government has hosted and funded peace talks, and in 2017 arranged for several leaders of EAOs that did not sign the NCA to fly from Kunming to Naypyidaw on a Chinese government plane so that they could attend the Panglong Union Peace Conference.[282]

Overall, foreign powers—especially Western nations and the UN—offer diverse support to promote peace but play a relatively small political role. Their influence over events in Myanmar is limited, especially since the government has achieved wide diplomatic acceptance and can stand on its own in the international arena. The situation generates challenges for international agencies trying to promote peace. They need to recognize that peace promotion is a long-term endeavor and maintain the flexibility to adapt to complex and rapidly changing political circumstances over which they have little control. In the absence of internationally mediated middle ground, they must also maintain relationships with the military and civil wings of the government as well as with many different armed groups.

Finding a balance: supporting all sides in the peace process

Donors providing peacebuilding support in Myanmar need to manage relationships with both the government and EAOs in order to ensure that aid builds the confidence of all sides. This is a difficult task. The underlying asymmetry of a peace agreement between a sovereign state and a large number of relatively small armed organizations has generated difficulties for aid agencies operating within the country that wish to maintain a neutral stance and the scope to provide assistance to all parties.

There are practical challenges. Since diplomatic relations between Myanmar and most donor countries were normalized, aid agencies' primary relationships have been with the government. As elsewhere, donors need to respect sovereignty and operate legally within the country. All international aid agencies that have opened offices in the country, including international NGOs, need government support for their operations, such as getting permission before an international staff member travels to any of the conflict-affected parts of the country. Donors also have to work in partnership with government counterparts in order to establish and manage large loans and grants.

Another challenge is that EAOs may have interests different from those of the communities they purport to represent. In many areas, there is indeed strong support for EAOs and an alignment of interests. But, as chapter 2 showed, the landscape can often be very fragmented in conflict-affected areas, with many different groups claiming they represent people in their area.

Yet, while respecting government sovereignty, and bearing in mind that there is sometimes a gap between EAOs and ethnic communities, donors do need to listen and respond to the views of EAOs, including those that did not sign the NCA in 2015. Building links with EAOs is not straightforward, however. Direct contact with those armed groups that are not legally recognized could in theory lead to prosecution under section 17(1) of the Unlawful Associations Act.[283] Most international aid agencies are also barred by their own rules, or by legal codes in donor countries, from funding armed groups directly. Overall, these constraints challenge the efforts of aid agencies to remain neutral and to support equally all parties interested in finding a negotiated solution.

Some leaders of EAOs and other ethnic campaigners, especially those in or close to groups who have not signed the NCA, believe that donor stances related to the peace process in 2014–2015 were too close to the position of the government. For example, Khu Oo Reh, general secretary of the ethnic alliance United Nationalities Federal Council, said:

> *My observation on the international involvement, also the donor countries from the very beginning they have the wrong mind-set; they have the wrong thinking about the process that we have now. When they are coming to Burma with the funds in support of the peace process, what they have so far understood is just mainly to engage with the government.*[284]

Another senior EAO leader expressed the belief that international donors and governments were in effect siding with the Tatmadaw by openly urging EAOs to sign the NCA.[285] EAOs and civil society leaders criticized statements from aid agencies encouraging the signing of ceasefires. These critics argued that the peace process allowed the Government of Myanmar to temporarily stabilize certain areas and maintain a façade that it was addressing the problems, while largely continuing its long-pursued strategy to defeat EAOs with military force, particularly in northern Shan State and Kachin State. Some concerns persisted after the NCA was signed, as violence increased and a transformational political settlement remained a distant prospect.[286] One donor representative feared that the peace process was being used to distract Western governments from deeper criticism of ongoing armed engagement with nonsignatory EAOs, saying it sometimes felt like "the government threw us the bone of the peace process and we chased it." [287]

However, many donors over time have worked to address the concerns of nonsignatory EAOs. They have offered funding for nonsignatories to participate in dialogue, to open liaison offices, for learning events and study tours, and other activities. There is growing recognition among donors of the need for a nuanced approach that recognizes the limitations as well as the potential of the NCA, and they have adapted their positions over time. The steadfast commitment of donors to the NCA that antagonized some EAOs has diminished as its limitations have become more apparent, and there is far greater international recognition that further progress towards peace is likely to involve more than one negotiation track.

After coming to power, the NLD government sought to ensure its authority over the peace processes and revised the previous administration's approach to support from donors. The new government replaced the Myanmar Peace Center, a body established during President Thein Sein's government that had received considerable foreign funding and was based in Yangon near many donors' offices, with the National Reconciliation and Peace Center, whose main office is located next to the seat of government in Naypyidaw. Donors repeatedly remarked that the new government was adding stricter stipulations to their support for peace.[288] The government discouraged support for informal dialogue and backchannels for communications with armed groups, concentrating attention instead on the formal process. Representatives of several EAOs that signed the NCA felt that regular communication with the government had declined since early 2016.[289]

Some support for transitional institutions

Aid agencies have been able to support some of the important temporary measures that underpin the peace process even though financial, political, and administrative barriers on the part of donors, the government, and EAOs have hindered progress.

Temporary or transitional arrangements are recognized globally as a significant part of the evolution from conflict to sustainable peace.[290] Despite their 'temporary' status, they can last for decades during protracted peace processes and prolonged tensions. In Myanmar, the NCA commits parties to several mechanisms alongside the political dialogue process. Most notably, Joint Ceasefire Monitoring Committees were to be created at the national, state or region, and local levels, along with verification teams.

As of mid-2017, monitoring committees were operational in some states. After initial funding delays, UNDP provided bridging funds and then established a UN fund (or 'platform') to channel international support and offer technical assistance. In addition, over thirty EAO liaison offices, established before the NCA was signed in 2015, have remained in place and, in some cases, have expanded their activities. Backed by international financial and technical assistance, they have continued to provide a formally recognized structure to address local disputes, interact with Tatmadaw and civil authorities, and channel information to EAO leaders. The liaison offices have taken on diverse roles depending on the needs of the parent EAO. In some areas, they have worked to engage the local population in discussion about the peace process and sought ways to solve problems raised by residents.[291] For EAOs not participating in the NCA, they offer a rare opportunity for formal recognition that enables open engagement with government counterparts, media, and foreign organizations.[292]

Many other activities, such as landmine removal, review of large infrastructure projects, and the return or resettlement of displaced people, have stagnated due to limited political will, a lack of forums for negotiation, and ongoing insecurity. Talks in the first half of 2017 between EAOs and the government to establish interim arrangements for governing NCA ceasefire areas made little concrete progress, despite their crucial importance to maintaining confidence among EAO leaders. The delays in establishing interim arrangements are primarily a consequence of the slow progress of the peace process in general. The change of government following elections in late 2015 added to the problem, as the incoming NLD government chose first to stand down existing peace institutions, and later to reorganize them. Particular challenges have emerged over the alleged bias of institutions that involve both government and EAOs, including monitoring committees, peace conferences, and coordination mechanisms at different levels. EAOs complain that they have a limited say in how these bodies function and are not receiving adequate recognition. NCA-signatory ethnic armed groups have called for a review of the peace process architecture and associated roles and responsibilities.

Donors have complained that proposals for support received from the government, EAOs, local organizations, or temporary institutions do not fulfil the stated requirements, and that accountability controls are too weak. Even where initiatives are up and running, donors' own limitations and operating procedures have at times made it harder to channel support. For example, EAO liaison offices have experienced funding delays and shortfalls as donors have been slow to process new proposals and unable to offer long-term assistance.[293]

In some cases, donors have been willing to engage proactively in the design of funding proposals. For example, staff of the Paung Sie Facility (formerly the Peace Support Fund) have worked extensively with EAOs and the government to help prepare proposals and to manage funds according to donor requirements. Similarly, the USAID-funded Kann Let initiative helped many small civil society organizations write appropriate proposals.

More donor flexibility on procedures and assistance to help recipient groups develop proposals could expedite the establishment of monitoring committees and other institutions. Support for better planning and design of initiatives could improve their subsequent effectiveness. Donors also need to be prepared to maintain offers of support over long periods, recognizing the likelihood of setbacks and postponements in the peace processes. The government and EAOs need to recognize the stringent specifications of donor assistance and, where possible, work collaboratively with funders to build productive partnerships.

Technical inputs that have enabled peace negotiations could be improved further

International funders have given technical support to the peace dialogue. Carefully devised assistance such as trainings, advisory inputs, and funding for travel and preparatory meetings have made a significant, positive difference, although there is room for donors to improve their effectiveness. As the peace processes continues, there will be further opportunities, especially with EAO leaders, to provide assistance.

Both EAO and government leaders have been open to external inputs that build capacity and experience. Assistance provided to the political dialogue framework and other key mechanisms became an entry point for international experts to introduce their knowledge of comparative peace processes. Led by the government and funded by donors, the Myanmar Peace Center played a crucial mediation role, contributed helpful technical expertise, and introduced ideas, based on international experiences of establishing political dialogue, to the main negotiating process. Donors also supported nongovernmental agencies, the Euro-Burma Office among others, to assist negotiators on all sides in designing plans and frameworks to govern negotiations. The UK's Department for International Development (DFID) provided USD 3.5 million to Inter Mediate, a conflict resolution firm, to advise all sides on negotiations and the structure of peace processes.[294]

Many aid agencies found that government bodies became less accessible after the 2015 elections, as the incoming government adopted new working methods.[295] EAOs, meanwhile, remained eager for donor-funded advice and training. Donor support for logistical costs such as travel and meetings has been particularly crucial to EAOs. Some armed groups are known to have significant resources—the Kachin Independence Organization and the United Wa State Party are regarded as relatively wealthy—but others have very limited funds. Financial support for the Nationwide Ceasefire Coordination Team—the lead body for EAOs at negotiations prior to the NCA signing – was crucial to facilitating a unified approach among the armed groups.[296]

Among the many forms of assistance to the peace process, evaluations have stressed the need to build soft skills like consensus building, critical thinking, and negotiating tactics.[297] EAO participants have generally appreciated the training they have received, but they have also criticized some inappropriate programs. Both the agencies providing assistance and the EAOs receiving support have tended to select high-profile topics instead of mundane but more useful subjects. For example, EAO leaders have attended dozens of internationally supported capacity-building workshops on federalism and constitution writing, but negotiators are not developing the key capacities necessary to formulate positions on concrete issues.

More specific, practical knowledge of topics such as natural resource management, township administration, or fiscal policy could be crucial to finding workable solutions to disputes over devolution of government or economic policy. Poor coordination among foreign-funded providers, and the tendency of some EAOs and other recipients to seek support from many different sources simultaneously, have also led to overlapping events and redundant training.

Coordination mechanisms can address some of these challenges. Pooled funds, especially the Joint Peace Fund, may help to systematize capacity-building support from donors. The NLD government, which came to power shortly after the NCA was signed, looked to improve aid management by establishing the Joint Coordination Body for peace funding (box 6.1).

6.2 COMPLEMENTARY MEASURES TO SUPPORT NEGOTIATIONS

Making the peace process more inclusive

In Myanmar, as elsewhere, many peacebuilding interventions work alongside formal peace processes, aiming either to improve high-level talks or to support complementary ways to build peace. Evidence from peace processes in many countries shows that this kind of complementary support to broaden involvement can play a valuable role.[298] As Myanmar's peace process evolves, opportunities exist to support further work of this kind.

Donors and practitioners in Myanmar have promoted inclusive engagement in peacebuilding alongside formal negotiations. In the past, narrow negotiations among senior leaders enabled ceasefires to be established in Myanmar, but did not lead to any sustainable transformation, and in many cases failed to stop the return of violent conflict. Efforts to make the peace process more inclusive and representative are designed to build public support by engaging a wide range of people who can help ensure that any negotiated agreement works for communities across Myanmar, thereby forestalling a return to conflict. As part of ongoing national reforms, practitioners also aim to promote participatory democracy and accountability, along with provisions for the rights of minorities.

Civil society in particular can offer valuable support, for instance by holding consultations on the perspectives of people affected by conflict to inform the peace negotiation process. Civil society can also help to inform the Bamar population and engage them with the peace process in a way that builds support among Myanmar's largest ethnic group, that develops common ground, and that holds powerful stakeholders to account.[299] Given Myanmar's history of authoritarian government and armed conflict, civil society organizations, with their high level of local legitimacy, have often been the most accountable representatives of communities.[300]

Donors have funded official civil society forums to feed into the formal processes and to pressure conflict parties to respond to public concerns such as land

BOX 6.1
Coordinating support for peacebuilding

The Joint Coordination Body (JCB) consists of top EAO, Tatmadaw, and civilian government leaders. Set up by the government in December 2016 to oversee foreign aid funding for the peace process, the JCB seeks a nationally led rather than "donor-oriented" approach.[301] It seeks to build consensus by offering equal representation of government and EAO officials. It includes EAOs that are signatories of the NCA as well as others that are not.

Yet, some EAOs have expressed resentment at having to participate in a government-designed initiative to access funding for the peace process.[302] Tensions over power asymmetries in the JCB's decision-making have slowed progress. EAO members are concerned that the body's remit and ways of operating were not properly agreed upon, and they object to the government's unilateral decision that the body's chair (a position assumed by State Counsellor Aung San Suu Kyi) has the final say on decisions.[303]

Communication between the JCB and donors has been limited. Donors hope that the JCB will facilitate smoother flows of foreign assistance for mutually agreed objectives, but feel that the JCB has tended to focus on small issues rather than building consensus on important strategic decisions. Disagreement between donors and the government as to what constitutes 'national ownership' of aid have generated tensions over how support for the peace process is allocated and disbursed.[304]

If managed effectively, the JCB can build trust among conflict parties. It will be important for the JCB to develop a joint mandate that focuses on the strategic priorities of the peace process, and that avoids burdening JCB members or slowing the momentum of peace negotiations through avoidable delays in decision-making.

rights. Various informal coordination and networking bodies, like the Civil Society Forum for Peace, have also benefitted from support. Civil society organizations have crucial technical capacity in some sectors. Their advocacy reports have at times been the best information sources for negotiators on certain topics.

Civil society involvement has helped to highlight gender as an important aspect of peacebuilding. The Alliance for Gender Inclusion in the Peace Process, a civil society network funded partly by foreign aid contributions, has pushed government and EAO negotiators to meet a 30 percent quota for female inclusion, an international norm also encouraged by the UN Secretary-General.[305] Despite resistance to these targets from senior government and EAO leaders, such advocacy efforts have given gender equality a higher profile, and they may be partly responsible for the modest increase in female participation, from 7 percent to 14 percent, in the formal peace talks.[306]

Yet, just as armed groups' claims to represent local populations can be poorly grounded, some civil society organizations base weak assertions of legitimacy on ethnic affiliation alone. Civil society leaders tend to be more highly educated and politically engaged than most residents in rural areas. Some local activists are returned dissidents or come from relatively elite backgrounds, and their priorities may be different from people in disadvantaged or remote villages. Experience, understanding, and interest in participatory approaches vary considerably, and aid agencies should not automatically assume that partnership with a local civil society group is synonymous with community engagement.

Government representatives working on the peace process in Myanmar can feel undermined by civil society groups that at times align closely with the positions of EAOs. Some civil society leaders, however, state that they aim to hold EAO leaders accountable as well as the government. This is most evident in Kachin State, where campaigners wish to avoid a repeat of past ceasefires that enabled well-connected businesses to prosper, yet delivered few other benefits.[307]

Building confidence and trust among conflict parties

Some initiatives seek to build confidence in the peace process among conflict parties, or to strengthen connections and trust between them. Confidence-building projects have targeted EAOs in particular, aiming to increase their commitment to peace negotiations. These appear to be most effective when they facilitate tangible policy changes or clear progress towards peace, rather than providing token gestures or financial inducements to encourage support for ceasefires.

State Counsellor Aung San Suu Kyi and the military have criticized the material incentives offered by the previous government to encourage leaders of EAOs to sign ceasefires, and foreign-funded programs that offer incentives to generate support for the peace process are often seen in the same light.[308] However, there are some clear differences in how some recent foreign-funded initiatives have approached confidence-building.

The Norway-backed Myanmar Peace Support Initiative pioneered confidence-building efforts from 2012 to 2014. Their approach involved building links with a range of ethnic leaders and civil society organizations as well as armed groups. Small-scale pilot projects helped to encourage dialogue on controversial development issues.[309] The Nippon Foundation, in addition to financing formal peace talks, has backed confidence-building measures to encourage continued dialogue in the peace process. Since 2014, Japan's Ministry of Foreign Affairs has committed approximately USD 140 million through the Nippon Foundation for peace support.[310] The confidence-building program initially provided regular rice supplies to families of EAO members and conflict-affected communities. It then focused on collaborative approaches to building village roads, low-cost housing, and clinic facilities, securing government and EAO agreement before providing contracts to EAO-linked companies for construction in areas under EAO or mixed control.[311] One prominent example is the construction of homes and facilities for the new town of Lay Kay Kaw, near Myawaddy, in Kayin State.

Programs of this type have provided quick, tangible results while building connections between conflict parties, generating mutual understanding, and directly encouraging some commanders to uphold ceasefires. They can be distinguished from earlier government initiatives to simply buy the support of EAO leaders. They are not universally supported, however. In 2012, some Karen civil society organizations accused the Myanmar Peace Support Initiative of dividing the Karen National Union (KNU) and 'co-opting' certain factions with development benefits when they should have been focusing on political strategy.[312]

This civil society reaction was based on anxieties over factionalism within the KNU and skepticism over previous government-led incentive strategies.[313] If, in the process of building the confidence of some leaders, others are alienated further, programs risk being counterproductive. The concern raises key questions: how to design and sequence confidence-building programs, and how to engage different groups, including various factions within particular organizations.

Donor funding decisions can affect the confidence, not only of EAO leaders, but also of civil society activists and other advocates for change. Strains generated by shifts in foreign aid provision are particularly apparent along the Thai-Myanmar border, where a large population is dependent on external assistance (box 6.2).

6.3 ADDRESSING THE UNDERLYING CAUSES OF CONFLICT

Identifying and addressing root causes is important: underdevelopment is not the primary root cause

A common approach to peacebuilding globally is to identify the root causes of conflict and seek to transform them. Indeed, without a sustainable end to the conditions that have driven conflicts for generations, there is a risk that ceasefires or peace agreements will collapse, as has been the case in Myanmar's past.[314] This does not mean that all problems contributing to violence have to be tackled before peace is possible, but it does suggest that a basic level of fundamental change is needed.

Identifying what kind of change would support peace can be controversial. Chapter 3 showed how successive Myanmar governments have seen lack of development as an underlying cause of conflict, and have tried to expand public and private investment in conflict-affected areas to advance peace and stability. In recent years, some Japanese-funded initiatives, along with many other foreign aid programs, have built roads and other infrastructure in partnership with the government towards the end of building peace. Foreign aid agencies are increasingly working with the government to construct schools, health posts, and electricity networks in contested areas and across the rest of the country.

However, this report has shown how initiatives promoted under the rubric of 'development' are inherently political and promoting development alone will not lead to peace. Who decides what should happen where, and how interventions are carried out, are especially contested in Myanmar's conflict-affected areas. The experience of past ceasefires shows how insensitive public programs, as well as private investments such as natural resource extraction and plantations, can deepen existing grievances and exacerbate violence.

Understanding the complex links between development and conflict—rather than assuming that a lack of infrastructure and public services is in itself a driver of violence—is vital if donor-funded projects and government policies are to help build peace. There are positive examples of foreign-aid-funded initiatives that are designed around a clearer understanding of the roots of conflict. Most donors have conducted their own conflict analyses as a basis for identifying causes.

Taking their cue from common national debates and the key texts in the peace process, some programs have addressed broad structural governance issues such as government decentralization, natural resource governance, or security sector issues.

Incremental steps can chip away at seemingly intractable problems

Most donor practitioners and international peacebuilding specialists in Myanmar now recognize that the peace process will likely take decades and multiple rounds of talks. Long-term, intractable problems can rarely be solved quickly. Practitioners typically accept that the underlying power dynamics sustaining conflict are beyond the reach of international aid projects. A peacebuilding activity may well relate closely to a particular grievance, for example, but it is unlikely to be large and effective enough to engender the transformative political changes that could sustain peace.

When addressing complex and sensitive issues, some donors pursue small pilot projects or area-based interventions. If carefully designed as part of a long-term approach, rather than as an isolated, one-off initiative, pilot projects can provide an entry point for further work with wider impact. By using pilot initiatives to engage with national-level approaches, aid agencies can work closely with the government and increase the potential for significant impacts. UNICEF, for example, looks to address the rights of ethnic-minority children through local interventions that are accompanied by efforts to improve national policymaking.[315]

Moving from small-scale pilots to broader roll-out is challenging. Donor initiatives increasingly partner with government counterparts as they seek policy impact and delivery systems with a wide reach. This shift generates risks as well as opportunities in the peacebuilding field. Aid agencies in Myanmar, as elsewhere, are motivated to disburse funds efficiently

BOX 6.2
Transitions and confidence on the Thailand-Myanmar border

As Western relations with the Myanmar government have improved, organizations that form part of the long-term opposition movement on the Thailand-Myanmar border have had to rapidly reform and move operations in-country or face funding cuts.

Through the 1990s and 2000s, Western aid helped establish hundreds of humanitarian, development, human rights, and overtly political organizations on the Thai side of the border. This movement was the primary point of contact that the United States and its allies had with Myanmar, and was united with them in calls for regime change, the establishment of an NLD-led federal government, and international legal action against the junta leaders.

Tensions emerged in 2011 as President Thein Sein's reform agenda caught the attention of the West, but many in the border-based organizations remained unconvinced. As the government signed ceasefires with EAOs, donors gradually modified programs to operate from within Myanmar and began reducing humanitarian funding. Ethnic service providers and advocacy groups were pressured to register in-country and deliver aid through government-sanctioned channels, generating concerns for their personal safety and their ability to continue operating effectively. Discussions about the return of refugees led to fears that refugees would be forced back to unstable areas and subjected to abuse or labor exploitation. Factionalism also rose within EAOs and prodemocracy groups; some leaders remained committed to regime change and felt that donors had become part of a conspiracy with the Tatmadaw based on economic or geostrategic interests.

Confidence improved in 2012 and 2013 as the NLD entered the 2012 by-elections, exiled dissidents were invited to return, multistakeholder peace talks began, and the humanitarian benefits of ceasefires became clear. At the same time, donors reduced pressure on groups still unready to uproot their sanctuaries in Thailand and began supporting long-term transition agendas.

Ultimately, the push from donors to work inside Myanmar helped many development and human rights organizations to work openly and to contribute to positive political change. However, donor decision-making sometimes outpaced the trust-building process, damaging confidence in the peace negotiations and broader political reforms.

and rapidly, rather than to address difficult issues over longer periods.[316] Donors need to put time and effort into finding or building areas of common ground, rather than accepting existing policy positions. Donors also need to retain links with other groups—especially EAOs and ethnic civil society—in order to maintain a balanced perspective on peacebuilding priorities.

The issue of reconciliation and transitional justice is an example of a challenging field in which to find common ground with government and EAO partners. Yet incremental steps to explore entry points are possible and could establish a basis for further work in future (see box 6.3).

Peace and the security sector: past experiences and future visions

Aid agencies and other groups looking to support peace in Myanmar have recognized the importance of engaging with the security sector, but have little access. In the context of a peace settlement, international expertise and financing could theoretically be used to assist in disarmament, demobilization, and reintegration (known as DDR) or security sector reform (SSR) to help establish properly mandated forces suited to the postconflict environment. Yet, as is commonly the case in peace processes involving resilient military institutions that are not heavily dependent on external assistance, the Tatmadaw has limited interest in working closely with international organizations in these areas.[317]

While the Tatmadaw seeks to improve relations with other militaries and military companies internationally, and has attended workshops on topics such as human rights and countering violent extremism, it retains strong independence and an explicit stance against Western attempts to intervene in domestic security affairs. As defined by the 2008

BOX 6.3
Reconciliation and transitional justice

Transitional justice is a well-established element of peace and reconciliation processes in many countries. It encompasses a wide range of approaches to addressing past injustices and associated grievances. Actual and perceived past crimes and abuses contribute to deep distrust on all sides. Most conflict actors emphasize past abuses or crimes in order to vilify the enemy and sustain popular support. Without addressing such issues, justifications for violence and revenge may linger indefinitely.

Some donor interviewees argued that peacebuilding initiatives should do more to generate discussion about transitional justice and other reconciliation processes as a first step to addressing these long-held grievances. For most agencies, however, these topics have been deemed too sensitive to address. Donors stress that there is little interest in the issue among the negotiating parties after the long history of Western actors seeking to build international criminal cases against Tatmadaw leaders. Many senior EAO and Tatmadaw leaders have concerns that they could be targeted by formal justice mechanisms. In addition, specific articles in the 2008 Constitution are widely interpreted as guaranteeing government leaders amnesty for past actions.[318]

This tension between justice and human rights on the one hand, and the need to reach a peace settlement on the other, is common in peace processes in many countries. Even if judicial proceedings or high-profile show trials are inappropriate, there are other available options. Various approaches have been used around the world to help communities, conflict actors, and other influential people come to terms with past events and take constructive steps, emphasizing the need for reconciliation above justice or retribution.

State Counsellor Aung San Suu Kyi has emphasized the need for political leaders and armed groups to put the past behind them and move forward.[319] While judicial proceedings are unlikely, there is scope to move forward through other, less punitive forms of reconciliation that would not risk contravening the constitution. Civil society groups in Myanmar have debated nonpartisan approaches such as a victim's law for conflict-affected populations, similar to laws in Colombia that provide reparations for persons affected by violence, human rights violations, or displacement by conflict.[320] Equally important to reconciliation is an understanding of the grievances that led to conflict and how they affected all sides. Donors could explore and encourage creative programming on tolerance of diversity, support ethnic narratives in the media, and promote respect for other cultures. Efforts to tackle negative stereotypes among the majority Bamar population and ethnic groups would go a long way towards building a culture of peace and reconciliation.

Constitution, elected politicians do not hold formal authority over security affairs.[321]

Nonetheless, a number of important peacebuilding initiatives have helped to open up the relevant discussions. Given the constraints, even small steps to inform the debate and enable diverse groups to voice their perspectives can be considered successes. The U.S. Institute for Peace, Saferworld, Inter Mediate, and the Centre for Humanitarian Dialogue are among the agencies that have provided technical assistance to government, EAOs, and civil society actors on security-related topics relevant to the peace process. National policy organizations such as the Tagaung Institute and the Myanmar Institute of Peace and Security Studies have been instrumental in researching civil-military relations, developing Myanmar-language materials on security sector issues, and educating civilian scholars and civil society representatives on such topics.

Each of these initiatives has faced significant constraints, but each has had some influence on discussions at peace negotiations. Initially, the Tatmadaw focused solely on reforming how EAOs operated, through disarmament, demobilization, and reintegration, whereas EAOs wanted to change the Tatmadaw's operating practices through security sector reform. The programs helped Tatmadaw and EAO representatives make gradual compromises, so that the concerns that these initiatives raised could be addressed during political negotiations. Internationally funded initiatives have also increased awareness among negotiators of the kind of relevant support the aid community could offer in the context of a future peace agreement.

6.4 ADDRESSING LOCAL FACTORS THAT EXACERBATE CONFLICT

Peace dividend projects bring some material benefits to communities but make little difference to the potential for peace

Peacebuilding strategies often include projects to boost public confidence in political negotiations by ensuring that direct benefits follow new ceasefire agreements. These are usually rapid interventions that build public support for the peace process, which should, in turn, influence local-level conflict actors to avoid a return to conflict. Such programs have been implemented in many of Myanmar's subnational conflict areas.

The line between peace dividends and more generic community development assistance can sometimes be blurry. Simply delivering development projects or offering other forms of assistance is unlikely to encourage leaders to pursue a negotiated peace process unless the measures are seen as genuine indications of broader and longer-lasting change. Addressing community priorities may be considered important as a separate goal, and there is significant evidence that locally directed development schemes are appreciated by communities. But the logic that such activities contribute directly to helping end armed conflicts is flawed.

There are significant limits to community-based approaches as a peacebuilding measure, simply because communities have such limited influence over the conduct of armed combatants. Even where civilian actors have wielded some influence over EAO decisions, such as in Kachin society, the influencers have typically been elite religious and civil society figures rather than ordinary members of the public.

In some cases, donors and international NGOs overestimate the potential impact of local-level programs. One donor representative explained that many projects are based on the explicit assumption that "community concerns are the key underlying causes [of conflict]." Others are more realistic. One aid agency interviewee stated that their peacebuilding work was "ultimately about the most vulnerable people, as it is they who have suffered." [322] Addressing the impacts of conflict on local populations is important and worthy of support. But it is a different goal than supporting a transition towards peace.

Practitioners working directly on support for the peace process tended to offer clearer and more plausible explanations of how their agencies' initiatives would contribute to peace than development specialists working on a more varied range of programs in conflict-affected areas. This finding suggests that development specialists who aim to promote peace need to consider and articulate more clearly the links between development and conflict within their fields of engagement.

Managing local level violence and disputes – many initiatives, unclear impact

A key finding from recent evaluations and research on local perspectives is that civilians see guarantees of their personal safety and of lasting stability in their areas as top priorities if they are to be confident in the peace process.[323] Communities often face high levels of taxation from multiple armed authorities, danger from landmines, insecure land tenure, and unreliable access to essential services and markets. Unstable conditions and a legacy of forced displacement typically place additional burdens on women.[324] Peace dividend projects need to tackle these challenges directly if they are to deliver on their goals.

Peacebuilding programs that aim to directly mitigate violent incidents and disputes can improve conditions at the local level, although evidence of what works in

Myanmar is limited. As discussed in chapter 2, the immediate motivations for confrontation in Myanmar's subnational conflicts are to secure control of territory, authority over populations, and access to resources. Tensions can build up slowly, or quickly escalate and lead to sudden outbreaks of violence between armed actors. Abuses committed against civilians have been commonplace, and still occur.

Donors, often working through international NGOs and other intermediaries, have tried to dissuade local-level armed groups from violent competition over resources by offering other economic opportunities. This is one of the objectives of the housing schemes being funded by the Nippon Foundation. But such efforts can cause tensions at the local level if some former combatants are seen to benefit ahead of other groups, or if they are regarded as simply a payoff rather than as part of a comprehensive peace process.

Through a range of initiatives, donors have attempted to build on local civil society as a way of reducing local violence and disputes that negatively affect communities. For example, local rights-based organizations such as the Chin Human Rights Organization and the Karen Human Rights Group have worked to mitigate the negative effects of violent clashes and abuses against civilians by improving village leaders' capacity to protect community members from armed combatants. In other cases, informal networks and civil society groups enable exchanges of information on likely clashes, and may help local leaders to negotiate with authorities. Network members also aim to hold conflict actors and powerbrokers to account through informal monitoring of violent incidents and human rights abuses.

However, to date there has been little formal evaluation of such projects. Local civil society groups have amassed field data that has yet to be integrated into wider assessments or channeled to higher-level decision-makers. Still less information exists on the roles of powerful local actors in moderating violent conflict—business owners, religious leaders, heads of political parties, and others whose roles are likely to change as a more democratic environment invigorates political competition at the subnational level. Several years into what is likely to be a long-term peace process in Myanmar, further assessment of the role of local politics and of targeted initiatives to prevent violence is needed.

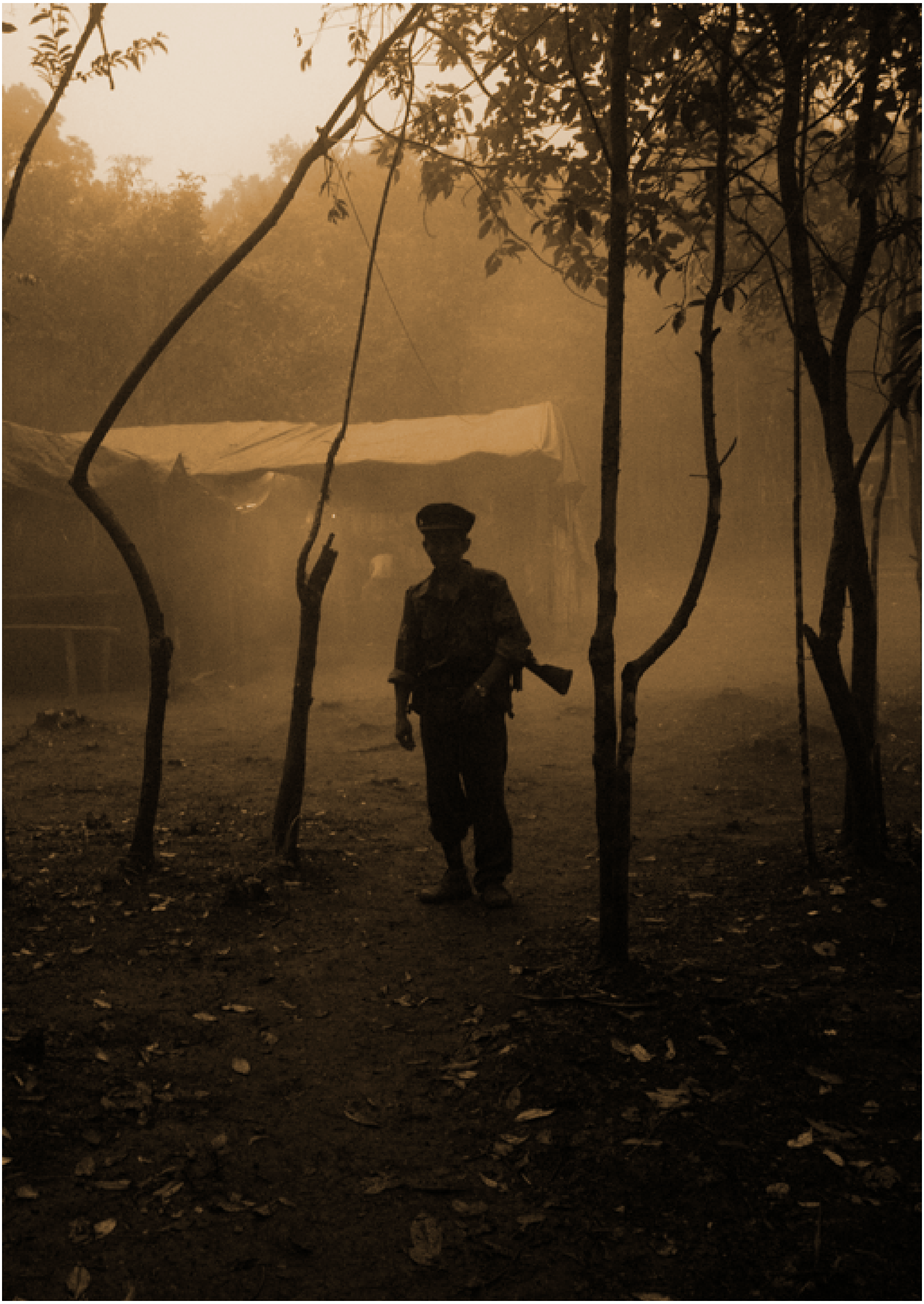
BOX 6.4
Balancing flexibility with rigorous planning

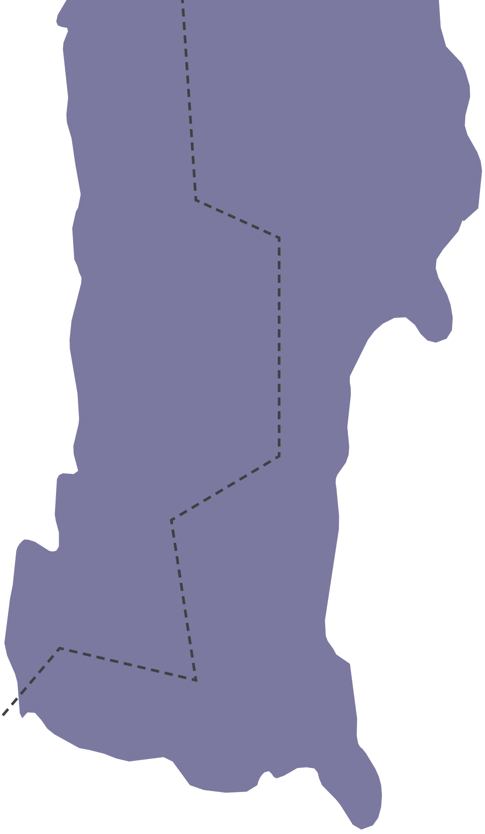
Donors and implementers supporting peacebuilding have had to be flexible, enabling responses to adapt as knowledge and relationships are built. Some have responded to locally defined needs, and have accepted the need for testing and adaptation. Myanmar's subnational conflicts are highly varied, and a rapidly changing context adds further complexity.

Agencies, however, continue to weigh the value of flexibility against the benefits of rigorous project planning and clearly defined objectives. Interviewees stated that the tight theories of change with predefined, measurable outputs that donor funding applications often demand are impossible to develop effectively and end up being counterproductively restrictive.

But some donors said that their or their partners' approaches have often been far too vague. Loosely defined applications of uncontroversial terms like 'social cohesion' and 'resilience' that are commonly found in proposals submitted by international NGOS, in UN programs of support, and in some donor policies for Myanmar make it hard to distinguish politically savvy and viable approaches from crude attempts by competitive agencies to utilize jargon to secure funding. These traits are more noticeable in aid agencies with a broad mandate for development work that undertake some peacebuilding programs, than in specialist peacebuilding bodies.[325]

Demands for rigorous project preparation can help avoid poor project planning, but donors must also leave room for flexibility and learning through trial and error. Some donors allow peacebuilding projects to define and adapt their goals over time, while maintaining monitoring and evaluation systems.





Chapter 7

CONCLUSIONS AND RECOMMENDATIONS

7.1 CONCLUSIONS

UNDERSTANDING MYANMAR'S SUBNATIONAL CONFLICTS

The causes of subnational conflict in Myanmar are intimately linked to national politics and the nature of the state.

- Far from being a problem restricted to the periphery, Myanmar's subnational conflicts directly affect much of the country. One hundred and eighteen of 330 townships, containing almost one-quarter of Myanmar's population, currently exhibit the characteristics of active or latent conflict.
- While these conflicts are primarily between the central government and an array of nonstate armed actors, they relate to pivotal questions of national concern. Ending Myanmar's subnational conflicts will require continuing reforms and finding common ground on three national issues: civilian versus military primacy within the government; centralization versus devolution of political authority; and the nature of citizenship, inclusion, and ethnic people's rights.
- Myanmar's conflicts are not primarily about natural resources, but abundant natural resources have fueled them. The economy and the central government budget have long depended on natural resource revenues, many of which come from conflict-affected areas. Natural resource exploitation is deeply entwined with national and local causes of violence and is central to peace talks.

At the local level, subnational conflict dynamics vary greatly and are extremely complex. One-size-fits-all responses will not be effective.

- While the primary drivers of conflict are national, conflicts play out in different ways across contested areas. Conflict at the local level often involves both armed and unarmed actors competing for control over territory, authority over populations, and access to resources. Group affiliation or identity is strongly associated with territory, generating contests for political power in geographically defined areas.

- Protracted conflicts have perpetuated long-term crises in governance, as territorial arrangements between conflict parties have rarely been formalized. Some conflict-affected areas are controlled by the Tatmadaw, paramilitary groups, or ethnic armed organizations, although zones of 'mixed authority' are the most common. Armed organizations vary widely in their approaches to local governance. Some operate relatively sophisticated administrative structures led by civilians and control substantial territory, while others are, first and foremost, insurgent groups.

- Differences in territorial arrangements, the actors involved, and the motivations and goals of the military and armed groups mean that the nature of conflict is highly varied. Understanding this complexity, and tailoring approaches accordingly, is key if development and peacebuilding interventions are to be effective.

Subnational conflict in Myanmar has had major impacts on many of the country's most pressing challenges.

- Successful democratization will require finding ways to end Myanmar's subnational conflicts. The military has long justified its involvement in politics by the need for stability amid ongoing armed conflicts and ethnic divisions, and conflict has shaped Myanmar's political system and state institutions. Progress on political reforms and improving standards of living will require addressing Myanmar's subnational conflicts.

- The conflicts have had immense humanitarian impacts. Millions have been affected by displacement, and hundreds of thousands remain in temporary sites. Subnational conflict is detrimental to human rights, livelihoods, security of land tenure, and access to services in most conflict areas. It has also allowed illicit drug production and use to flourish.

- Subnational conflict shapes the prospects for sustained growth and human development. While not every subnational conflict area is poor, conflict contributes to poverty in many areas. Subnational conflict is a significant impediment to trade, particularly with neighboring countries. Over a 70-year period of conflict, the total losses for Myanmar's economy have been huge.

- The effects of conflict are gendered. More men fight and suffer violent death and injury, including civilians. Women suffer from widespread sexual and gender-based violence, during and after periods of violent conflict, and from the social and economic impacts on households. Female literacy lags farther behind male literacy in conflict townships, but women's labor-force participation is slightly higher. Most conflict areas are in the states rather than the regions, and women have far less political representation in state than in region governments.

Ceasefires and peace negotiations are essential steps to reduce violent conflict. In the long term, sustainable peace will require a system of government that people of all ethnic nationalities recognize as legitimate.

- Continuing the process of democratic reform is crucial, but it will not build peace by itself. Over time, broader changes will be necessary to create a political sphere in which subnational disputes can be resolved without violence. The government-led peace process represents a historic opportunity to collectively negotiate the fundamentals of a government system based on federal principles.

- A single peace process or agreement is unlikely to resolve all of Myanmar's many subnational conflicts. While there has been important progress in fashioning an inclusive political dialogue, the history of the Nationwide Ceasefire Agreement shows that negotiations on multiple, parallel tracks may be needed. Progress will be nonlinear, with backward steps as well as forward.

- Ceasefires negotiated under the current peace process remain fragile and should not be taken as guaranteed entry points for development interventions. Past ceasefires provided economic benefits to leaders from the government, armed groups, and businesses, while the wider population saw little relief and political settlements mostly failed. It is important for all development actors—government, ethnic armed organizations, donors, the private sector, and others—to respect ceasefire provisions on cooperation.

DEVELOPMENT, AID, AND SUBNATIONAL CONFLICT

Myanmar's conflicts are not caused by underdevelopment. They will not be resolved by measures to improve development outcomes. Higher growth rates or better health and education services will not address the underlying political issues that drive conflict.

- There is no simple correlation between human development, economic growth, and conflict in Myanmar. Conflict townships are on average only marginally less developed than nonconflict townships, particularly when Yangon is excluded. Some conflict townships exceed national averages, while others have the lowest development indicators in the country.

- Creating peace is much more complex than simply tackling underdevelopment in contested areas. It requires dealing with other root causes that have driven conflict. The *Contested Corners of Asia* shows that periods of rapid economic growth in other Asian countries affected by subnational conflict have not changed the long-term trajectory of conflict or the severity of violence.

Development policies and projects have sometimes contributed to the uneven power dynamics that drive subnational conflicts.

- Development interventions are never neutral. Top-down development planning, and resource extraction without local benefits, have generated deep grievances among ethnic populations, and have fueled armed resistance.

- Historically, the central state has often used development interventions—new health posts, schools, roads, dams, and mines—to expand its authority and undermine ethnic political movements, particularly during ceasefire periods. The expansion of civilian government services into contested areas has often been viewed by ethnic armed organizations and ethnic populations as a threat.

> “DEVELOPMENT INTERVENTIONS ARE NEVER NEUTRAL.”

- In many contested areas, economic changes and increased natural resource exploitation have ratcheted up tensions, engendered rivalries, fueled grievances, and provided funds that have sustained conflict. New investment opportunities have created sites of conflict, with armies fighting for local control of roads, contracts, and resources.

Increased aid flows can help to address vital needs in conflict-affected areas, but aid can damage the prospects for peace when initiatives are not conflict sensitive.

- Aid to Myanmar has increased significantly. USD 13.7 billion were committed to new projects between 2011 and 2015. These funds, along with technical assistance, can help to tackle the high levels of poverty and acute basic needs that persist in many conflict-affected areas.

- Closer alignment of donors with government offers advantages in coverage, cost effectiveness, and sustainability, but it also poses risks for peace. Projects that serve the security aims of one side, as when service delivery is used to expand government control, can damage the confidence of ethnic actors in the country's transition. Measures that strengthen the state without parallel engagement with nonstate groups can perpetuate the uneven power dynamics that have driven conflict.

- Myanmar needs new infrastructure, but high-profile investments in conflict-affected areas come with high risks. National development plans and projects that are implemented by the government, often with donor support, need to consider and adapt to the local dynamics of conflict-affected areas.

Development programs effectively designed for conflict-affected areas can improve relations and build momentum for peace.

- Carefully designed aid programs can support agreements between the government and its counterparts. Programs that increase the alignment of government and nongovernment health and education providers have bolstered development while building confidence in the peace process. Aid projects that foster repeated interaction between ethnic armed organizations and the government can strengthen mutual trust. Programs that support political reforms to which both sides have committed, such as decentralization, can help build momentum.

- Foreign assistance can promote better and more accountable subnational government structures while also preparing the ground for future reforms that devolve some authority from the center.

- Low-profile interventions that improve people's living standards can be particularly useful when designed to be conflict sensitive. Low interest loans, improved market access, and relief from taxation or arbitrary charges can improve farmers' income, for example. Small-scale, locally devised initiatives such as community-driven development can bring significant returns and are less controversial than other development projects.

Conflict-sensitive engagement in contested areas requires new approaches. Good practices already exist, but more can be done.

- More so than in most countries, there is fairly widespread awareness among aid agencies of Myanmar's subnational conflicts. Donors have made some headway in integrating peace and conflict considerations into their programming, for example by hiring conflict advisors and using peace filters, and they have taken steps to improve coordination and collective practice.

- Institutional incentives within aid agencies still limit the scope to turn awareness into action. Conflict sensitivity is often regarded as a "downstream" adaptation of established plans, rather than an "upstream" element of planning and setting priorities. The contributions of conflict advisors are often limited to programs with immediate links to contested areas, with limited influence on overall approaches and national aid initiatives that particularly affect government policy and practice. More can be done to practice "upstream" conflict sensitivity.

- Aid-funded projects increasingly involve consultation during their design, but more thought needs to be given to who is being consulted and for what purpose (see box 7.1).

> "FOREIGN ASSISTANCE CAN PROMOTE BETTER AND MORE ACCOUNTABLE SUBNATIONAL GOVERNMENT STRUCTURES WHILE ALSO PREPARING THE GROUND FOR FUTURE REFORMS THAT DEVOLVE SOME AUTHORITY FROM THE CENTER."

BOX 7.1
Conducting consultations for large development projects

Consultations are critical to conflict sensitive planning of large-scale or widespread development initiatives. Large-scale infrastructure projects or programs implemented across a wide geographic area tend to be centrally planned and require specific activities to incorporate the perspectives of local people. Aid agencies sometimes see consultation as a simple box-ticking exercise and a catch-all measure to avoid risk. The right approach requires considering the exact reasons why a consultation is being undertaken and who needs to be consulted.

CONSULTATION FOR WHAT?

Consultations should not be designed merely to demonstrate consent for predetermined plans. Steps should be taken at the start of a project to solicit input from communities and local leaders regarding their priorities and concerns.

Consultations should, at the very least, seek to:

1. identify local stakeholders' concerns about the risks posed by an intervention, and commit to addressing them;
2. build trust and two-way communications with stakeholders;
3. locate prospective sources of tension and potential impacts on the underlying causes of conflict;
4. lay a basis for program adaptations in response to ongoing communications with stakeholders.

WHO TO INCLUDE?

Consultations cannot reach everyone, but missing key stakeholders can be detrimental in the long term. The most crucial stakeholders are generally the women and men whose lives will be directly affected by projects: listening to them typically means convening a representative cross section of the community that reflects gender and other divisions including religion, ethnicity, and social status. Marginalized groups such as migrants, the landless, or widowed women are likely to be excluded unless proactive steps are taken to include them.

Consultation with influential figures is also vital. Existing committees at the township or village level are often invited to vet development projects, but they may be dominated by a small number of government-appointed men or a select group of local power brokers and must be carefully scrutinized. Additional steps are often needed to reach out beyond these established networks.

Other groups to consult include local civil society organizations and individuals with a proven record of work on development projects. Local advocacy groups typically have unrivalled knowledge of the local political context and should be actively engaged, albeit with an eye to their potential political biases.

Difficult questions arise over which armed or political authorities to consult and how much influence to give them. Armed groups vary greatly in their legitimacy as representatives of local interests, as do the different elements within them. Groups that enjoy significant recognition from local communities should always be taken seriously and consulted directly. Those with functioning governance structures and popular recognition can sometimes be engaged as official partners to oversee implementation. If a group is not trusted, however, and holds power merely through coercion, engagement should focus on securing permission and obtaining sufficient information for safe and effective implementation.

AID AND THE PEACE PROCESS

The peace process has made significant progress, but many challenges remain. The government, armed groups, and aid agencies must be flexible and commit to the long haul.

- The Nationwide Ceasefire Agreement, and the launch of a political dialogue, has laid the groundwork for a political settlement to Myanmar's subnational conflicts. Because Myanmar's peace process is an indigenous project, the parties are more likely to feel genuine ownership of their agreements than if solutions were provided from the outside. With the strong commitment shown by successive governments and many ethnic armed organizations, the current process has greater potential than previous ceasefire agreements to resolve Myanmar's subnational conflicts.

- There is a strong rationale for a nationwide peace deal, but this has been extremely difficult to achieve. Many armed groups did not sign the Nationwide Ceasefire Agreement, partly due to divisions among them and partly due to the exclusion of some groups by the government. It is unclear how or whether other armed groups will join the main process, raising the risk that violence will continue in some areas even with progress in the existing approach.

- Progress is unlikely to be rapid, and there is a risk that signatories may lose confidence. The vast array of different actors—with different interests—makes reaching shared agreements a challenge. Relations between the civilian and military sides of the hybrid government largely determine the rate of progress. How power is shared and gradually civilianized over the long term will be central to the prospects for peace.

International donors will not determine the success of Myanmar's peace processes, but they have an important supporting role.

- Peace-focused aid is a small portion of aid flows to Myanmar, but is higher than amounts provided for other peace processes in the region. In Myanmar, there is no formal role for international actors as mediators or coordinators of external assistance to peace processes. Aid agencies and foreign governments play a useful but limited supporting role.

- Opportunities do exist, however, for aid agencies to provide assistance, including the governments of neighboring countries and OECD members. Key figures on all sides have regarded international backing as critical to sustaining the momentum of talks. Support for transitional institutions and for temporary measures that underpin the main peace process has been useful. Technical inputs, and the sharing of comparative experiences, have helped both sides. Aid is an important part of a broader international effort to encourage the government and others to resolve conflict through political negotiation.

Aid agencies can promote wider engagement in peace processes and build their momentum by working with both the government and other parties.

- In the past, negotiations among a narrow group of senior leaders allowed ceasefires to be established, but did not successfully resolve the underlying factors driving conflict. Some aid programs have generated broader awareness of peace processes, supporting bottom-up accountability and boosting women's participation, and there is room for further support of measures that complement the formal talks, such as broad national dialogues and preparatory stakeholder engagement.

- Building momentum requires working with the government, ethnic armed organizations, civil society, and communities. This means supporting the implementation of agreements by both sides to the conflict, acknowledging that appearing to be too close to the government can reduce the trust and confidence of others. It also requires acknowledging that ethnic armed organizations and civil society organizations do not always have the same interests as those they represent. Aid agencies must engage a balanced spectrum of partners in their projects and wider peacebuilding portfolios.

Aid agencies could improve their peacebuilding support by being more realistic about feasible impact and more open to critical scrutiny.

- Some peacebuilding programs, especially those not implemented by specialist peacebuilding agencies, have vague or unrealistic objectives and implausible theories of change. The lines between ending subnational conflict and achieving wider aims such as 'peace', 'safety' and 'social cohesion' are often vague, making it difficult to determine what projects are designed to do and what they can realistically achieve.
- Integrating peacebuilding objectives across development portfolios to tackle underlying causes of conflict can sometimes have a greater impact than small-scale interventions if programs are designed appropriately. Contested areas cover a significant proportion of the country, dwarfing the scale of local initiatives. Larger programs can work at the national level and support the deeper structural changes needed to resolve the country's subnational conflicts.
- There is relatively little rigorous evidence on the extent to which peacebuilding projects in Myanmar have actually reduced conflict or built peace. More needs to be done to understand what works, what does not, and why. This will require aid agencies to be open to constructive, critical scrutiny.

Using development to 'build confidence' is difficult, and is most effective when linked to meaningful political progress.

- Recent government, ethnic armed organization, and aid-backed initiatives have sought to build confidence in the peace process among local leaders or conflict-affected communities by delivering developmental peace dividends such as new public buildings or roads. Such programs may improve standards of living, an important goal in itself, but they have limited effect on people's experience of conflict unless they transform everyday security threats. The logic that confidence-building development activities contribute directly to helping end armed conflicts is flawed, because communities often have little influence over armed actors.
- The confidence of leaders should be distinguished from wider public confidence. Building confidence among conflict parties is challenging, and is most effective when founded on meaningful and substantial progress towards long-term political aims. Attempts to build confidence by handing short-term economic incentives to leaders of armed groups often fail to build genuine trust and can alienate others. Longer-term approaches to working across conflict lines and gradually building trust are typically needed.

Better, rather than more, aid is needed.

- Aid will remain important in sustaining peace processes and encouraging more inclusive and technically informed dialogue, among other key contributions. But few of the outstanding obstacles to progress can be addressed through increased funding alone.
- Of greater importance will be allocating existing funds more strategically, and improving coordination among donors and between donors and domestic stakeholders. Increasing communications and building trust between the donor community and national peace stakeholders is a key step towards establishing mutually acceptable ways of working together.
- If a major shift takes place, such as the conclusion of a comprehensive peace settlement with a number of armed groups, well-measured additional assistance could be instrumental in its implementation.

> “BUILDING CONFIDENCE AMONG CONFLICT PARTIES IS CHALLENGING, AND IS MOST EFFECTIVE WHEN FOUNDED ON MEANINGFUL AND SUBSTANTIAL PROGRESS TOWARDS LONG-TERM POLITICAL AIMS.”

7.2 RECOMMENDATIONS

TO GOVERNMENT:

Continue reforms that support peace, in consultation with armed groups and other organizations.

- **Continue to implement national reforms: ending subnational conflict requires national change.** The challenge of building peace is a political one that needs political solutions. Consultation and engagement with all nationalities in the Union of Myanmar and with armed groups is an essential step towards building a country and a government that is recognized and relied upon by all its inhabitants.

- **Advance decentralization and federalism.** Incremental steps towards political and economic decentralization will help create the capacities and processes needed for a federal system of government to succeed. In order to move from violent conflict towards resolving differences politically, further steps to devolve authority are needed. Given the space and the mandate, subnational authorities can fully recognize ethnic languages and cultures while maintaining loyalty to the Union.

- **Promote broad participation in national planning.** To cultivate the 'Union spirit', include ethnic leaders and communities in the design and implementation of national and local development strategies. The National Health Plan is a positive example of what can be achieved. Adopt measures that promote diversity among staff at all levels.

In designing national and subnational development policies and interventions, consider carefully what measures can support a peaceful resolution to Myanmar's subnational conflicts.

- **State Counsellor Aung San Suu Kyi has said that economic growth and development spending do not automatically bring peace.** Peace and development strategies based on this myth should be avoided. The impact of development on conflict depends on what policies and actions are taken by whom, both at the Union level and in conflict-affected areas.

- **Maintain dialogue on development-related issues.** Reaching agreement across conflict lines among government, ethnic armed organizations, and communities on development approaches and policies—as stated in recent ceasefire agreements—can build confidence in the overall peace process and lead to improved living standards for people in conflict-affected areas.

- **Prioritize better regulation and management of investments, especially in natural resource sectors.** Working with ethnic armed organizations, civic leaders, and communities to improve existing commercial investments in natural resource use (such as mines, hydropower dams, plantations, and forestry projects) in conflict-affected areas should be a higher priority than attracting new investment.

Generate local returns from projects and investments in conflict areas.

- **Ensure that new projects offer real benefits for people in conflict areas.** People need to see tangible benefits if grievances are to be addressed rather than aggravated, and to build trust in the government. Measures to ensure local returns can be incorporated into government plans and made mandatory for private investments.

- **Approach large and high-impact initiatives with caution.** Consider postponing plans for large dams and other major initiatives in conflict areas until peace processes have progressed to the point where consensus can be reached. When agreement to proceed is reached through comprehensive debate with ethnic leaders, political parties, and local residents, stringent safeguards will still be necessary.

- **Develop initial steps and pilot initiatives for resource sharing.** Explore different models that ensure that natural resource investments provide a return to local communities and to the wider state, region, or subnational area.

- **Prioritize policies and projects that improve people's lives without major intrusion.** Measures that improve livelihood opportunities, such as affordable access to credit and small-scale or decentralized initiatives that involve communities

Adapt development approaches in subnational conflict areas.

- **Consult over plans and ensure compatibility with peace agreements.** Involve ethnic armed organizations, other leaders, and communities in planning and policy development at the national and state or region levels. Achieving this requires action across many government departments. The sector working groups of the Development Assistance Coordination Unit (DACU) could play steering roles while devolving many tasks.

- **Adapt national initiatives to conflict-affected areas.** Consult with leaders and communities, and seek agreement with ethnic armed organizations, before rolling out national programs.

- **Support flexible and devolved approaches.** Build on existing examples of flexible initiatives, such as community-driven development and consultation over service provision. State and region authorities can undertake some of this work with facilitation from the Union level.

- **Recognize multiple service providers.** Ethnic service providers can form part of a nationwide system, yet retain some autonomy, as happens in many countries. Plans can promote compatibility and synergy among different providers through gradual, mutually agreed steps.

Harness donor assistance to support peace.

- **Build on international technical support for development and peacebuilding policies and initiatives.** Government bodies can harness offers of assistance, and adapt practices from other countries, to ensure that national approaches and subnational implementation support efforts to build peace. Among other measures to improve efficiency and effectiveness, a rationalized approach to travel authorization within Myanmar would help international aid agencies provide support more effectively.

- **Access and adapt international experience of peace processes.** International technical assistance and funding can continue to improve opportunities for lasting peace. Ensure that the government, ethnic armed organizations, donors, and civil society are able to engage equally in decisions over using international assistance to support peace.

TO ETHNIC ARMED ORGANIZATIONS

Increase cooperation on development planning and interventions across conflict lines.

- **Influence national and subnational development programs and plans.** Government and international organizations have increasingly begun to consult subnational actors on major policies and programs. Working with other ethnic armed organizations, promote ways to adapt development interventions, ensuring they take account of local needs—from conflict issues to cultures and languages—and are supportive of the national peace process. Advocate for national programs to devolve some decision-making to subnational levels.

- **Seek ways to coordinate with state and region governments**. Ethnic organizations with administrative branches should look for ways to coordinate joint projects and programs with the government. Work to build trust across conflict lines—on service delivery, for example—without undermining existing service providers.

- **Pursue opportunities where there are shared development goals.** Ethnic organizations understandably have their own principles, but they also share many basic development concerns with the government, such as maximizing school enrollment and increasing the incomes of Myanmar's citizens.

Promote conflict sensitive development approaches.

- **Consult with local communities to inform decision-making on development and peace.** Seek out varied voices and establish stakeholder engagement processes for decision-making on development interventions and policy issues related to peace processes. Promote two-way channels for information sharing and dialogue on new investments or large projects.

- **Prioritize basic needs and livelihoods.** Promote access for service providers to address people's basic needs. Build knowledge among ethnic armed organizations on ways to support rural economies and generate jobs.

- **Encourage government and donor practices that promote peace.** Ensure that development plans and interventions do not contravene ceasefire terms, such as agreements on consultation. Possible channels for promoting improved practices include temporary peace process institutions, direct engagement with donors, parliamentary debate, and advocacy or policy engagement by nongovernmental organizations.

- **Promote sustainable investment and natural resource management.** Particularly during ceasefire periods, opportunities arise for businesses and other actors to exploit resources or to rapidly develop trade in ways that are not always good for local people. Ensure that initiatives offer a return to residents and communities rather than damaging livelihoods. Seek technical assistance from aid organizations on sustainable development and business practices.

Improve approaches to strategically engage in the peace process.

- **Establish ways to manage funding and technical support.** Establish institutional mechanisms such as support hubs to receive and strategically manage technical support. Draw up comprehensive plans for building the capacity of peace-process negotiators, and develop governance structures to manage financial support transparently.

- **Build knowledge and understanding of development issues.** Different approaches are required for each subnational conflict area. Seek advice and build knowledge of best practices, the potential impacts of development interventions on conflict, and approaches to working with the government and international organizations.

- **Seek international advice on the future of Myanmar's security sector.** There is a wealth of international experience on security-sector reform, disarmament, demobilization, and reintegration. This will be one of the most difficult but important areas of peace negotiations. Seek assistance to develop policy positions, and consider steps towards a peaceful future where many soldiers will no longer be needed.

Prepare for future reforms and governance roles.

- **Prepare to become political actors with important local leadership roles.** Successful resolution of subnational conflicts generally involves the transition of armed actors to political roles. While many ethnic armed organizations have their own administrations, subnational government structures will be a vital part of any future, postconflict settlement, especially in areas of mixed or mostly government control. Seek out technical assistance to improve administrative and policymaking capacities.

- **Harness development interventions to support the goal of building subnational governance and federalism.** Both in and outside of negotiations, ethnic armed organizations can find ways to make local government more accountable to citizens, including elected and administrative bodies from the state and region down to the village level. Draw on development programs to help decentralize decision-making powers and improve economic policy, service delivery, the planning and delivery of local infrastructure, and natural resource management.

TO DONORS

Plan for conflict and ongoing peace negotiations to remain central features of the Myanmar development environment for decades to come.

- **Maintain long-term commitments to supporting peace.** Donors should prepare themselves to support peacebuilding and conflict sensitive development over a long period. Inevitable yet unpredictable changes in conflict dynamics and peace processes create a need to remain flexible and responsive.

- **Recognize that complex governance arrangements will persist.** Agencies should be prepared to work in areas with complex governance arrangements, including areas of overlapping or mixed authority. While the government remains the prime sovereign authority in Myanmar, donors must recognize that some armed organizations have significant civil as well as military capacity, and have considerable legitimacy in their areas of influence.

- **Be cautious and selective about supporting initiatives during ceasefires.** Ceasefires present many opportunities to work in more collaborative and consultative ways, cementing progress towards peace. But donors must ensure that initiatives are accepted by all parties, and avoid initiatives that cater to the security objectives of armed actors. This may mean not working in some areas.

Integrate conflict approaches into national-level initiatives.

- **Address conflict at an early stage.** Recognizing that development does not necessarily lead to peace, consider early in the planning process how aid programs will affect conflict. Program partnerships with government departments need to consider subnational conflict concerns in the country's 118 contested townships and, just as importantly, at the national level. This means assessing how donor assistance affects the key conditions perpetuating subnational conflict.

- **Adapt country portfolios and strategies accordingly.** Move away from forms of development that exacerbate grievances and perpetuate cycles of conflict—for instance, by aggravating land-tenure disputes or offering little tangible return to local populations.

- **Prioritize consultation and engagement.** In addition to partnering with the government of Myanmar, wider participation is vital to project design and policy formulation. Engaging armed groups where they have influence is important, but they are not necessarily representative of the wider population, so consulting beyond them is important. Build in mechanisms for local feedback.

- **Ensure that humanitarian assistance supports progress towards peace.** Humanitarian needs are likely to persist in some conflict-affected areas for many years. Funders and implementers should consider impacts on conflict and associated political implications to make sure that programs do not inadvertently generate local grievances.
- **Draw on a large range of options and models to adapt interventions, and implement decentralized approaches.** Programs, including collaborations with the government, can be adapted to conflict-affected areas in many ways besides formal 'conflict sensitivity' approaches. Decentralized approaches allow for flexible responses to varied contexts, while specific tools, training, and guidelines designed for development interventions in conflict areas can be adapted for Myanmar's unique context. Incremental engagement in conflict areas builds experience, over time, of what works and what can be harmful.

Recognize that conflict-affected areas will continue to need different approaches.

- **Separate implementation structures remain important.** Donors cannot rely only on small adaptations to national mechanisms. In some of the most heavily affected areas, where poverty levels are often high, other providers, many of them affiliated with ethnic armed organizations, may offer the most viable route. Donors should remain open to this possibility, rather than operating solely through national channels. They should recognize the associated operational costs as an inevitable aspect of working in Myanmar's complex environment.
- **Promote cooperation on development issues across conflict lines.** Aid can support individual projects and long-term cooperation between the government and ethnic armed organizations. Plans need to avoid pushing 'convergence' objectives that do not have common acceptance or that undermine existing cooperative practices and informal arrangements.
- **When implementing, build relations with, and seek the views of, a cross section of representatives.** In many areas, neither the government nor ethnic armed organizations can be assumed to fully represent local populations. Furthermore, relations with authorities can vary from village to village. Ensuring a project's legitimacy often requires building relationships and common understanding with a wide cross section of actors at the local level, including governing authorities, civil society, religious institutions, and women's organizations. This may be time-consuming and difficult work, but it is necessary if projects are to be effective and support peace.

Support Myanmar's ongoing reform process.

- **Support political and economic decentralization to help lay the foundations for federalism.** The solution to Myanmar's subnational conflicts lies in changes at the national level as much as in contested areas. Decentralization can be supported with targeted technical assistance initiatives and by addressing aspects of decentralization within sector programs (i.e. 'mainstreaming'). In particular, activities that strengthen the capacity of state and region governments can promote more comprehensive devolution in the future.
- **Promote an inclusive society, and recognition, across many sectors, of the country's ethnic, linguistic, and cultural diversity.** In particular, support reforms to make government institutions and services more accessible to linguistic minorities and more reflective of diverse identities. Such steps are crucial to fostering trust between the state and long-marginalized ethnic societies.

Build more knowledge and evaluate fields of intervention.

- **Base approaches on a clear understanding of the links between development and conflict.** Aid agencies, especially those not specializing in peacebuilding, often need more realistic knowledge of the connections between development and conflict in their fields, and how their work may support or undermine peace.

- **Understand the complex politics of subnational conflict areas.** Power dynamics in conflict areas are often poorly understood. The influence of armed groups affects local political trends and economic activity, including illicit businesses and trade. Improved knowledge should be accumulated and shared, to support the design of development programs, and to build a vision of the political spaces that future peace agreements might define.

- **Support targeted evaluations of sectors or types of initiative.** Support and share evaluations that promote a common understanding of what peacebuilding approaches work, and which interventions are less effective, ensuring that gender is appropriately considered and findings disaggregated.

- **Build understanding within projects.** Develop an understanding of operating contexts among project staff and partner organizations. Empower, and learn from, staff who have strong contextual knowledge.

Ensure projects and overall portfolios offer tangible benefits to local people and avoid damaging side effects.

- **Build trust and avoid exacerbating grievances by supporting development initiatives that improve people's lives.** Projects that generate tangible benefits can contribute to a shared sense of citizenship. Measures that improve standards of living without an intrusive presence, such as small-scale initiatives and steps to improve farmers' incomes, are generally more conflict sensitive.

- **Consider the implications of large projects from a politically astute perspective.** For large or intrusive projects, ensure that political risks are fully integrated into planning and selection criteria. This will in some cases render them nonviable, and in other cases involve adaptations to ensure local groups benefit and are not adversely affected. Ensure appropriate safeguards and checks are in place.

- **Prioritize human rights.** Given the long-term pattern of human rights infringements in Myanmar, aid agencies with appropriate remits must maintain support for upholding international obligations and standards. Support human rights promotion in conflict-affected areas by national and international bodies.

- **Continue to support civil society.** Support civil society groups and networks, not only to deliver projects, but also to pursue advocacy, to engage with the government, and to build their own capacity. Support groups representing the interests of minorities and women.

Maintain and improve support for the peace process.

- **Continue to build the technical policy skills of peace process stakeholders.** This includes working committees on political, economic, social, natural resources and security issues. Technical support should not be exclusive to ceasefire signatories, and should be responsive to ongoing changes in the peace-process structure and the emergence of new negotiation tracks.

- **Coordinate support and continue to focus on gender.** Help to coordinate and improve donor assistance. Fund local networks and coordination bodies, such as support hubs connected to specific organizations, including ethnic armed organizations. Offer assistance to pursue advocacy on women, peace, and conflict.

- **Stay flexible, and attentive to changes in the peace process.** With multiple tracks and transitions taking place at different times, aid actors need to be politically astute and anticipate long periods of stagnation with sudden and unpredictable episodes of progress. There may be opportunities for increased financial assistance in the future if there is a breakthrough in the process.

- **Support the role of knowledgeable and well-connected intermediary bodies.** Domestic and international NGOs, research institutes, and even businesses can sometimes play a valuable role as liaison between conflict parties, and by enabling donors to channel support to smaller organizations or many different ethnic armed organizations.

- **Encourage the role of informal peace-support mechanisms.** Support work that reinforces formal negotiations, including national dialogue. Promote preparatory consultations among peace process stakeholders, and women's involvement in negotiations.

ENDNOTES

1. One source estimates the number of deaths caused by all forms of conflict in Myanmar between 1989 and 2016 to be around 17,000, of which a majority are likely to have been caused by subnational conflicts (Allanson, Melander, & Themnér 2017).
2. Oh & Nair 2016
3. This definition is from Parks, Colletta, & Oppenheim 2013, a publication of The Asia Foundation that forms the starting point for this report. Most EAOs in Myanmar state that they seek changes that enable subnational autonomy within a federal national political system, rather than full control or independence.
4. Parks et al. 2013, 17.
5. The 118 townships affected by subnational conflict are the main sites of both latent and active conflict. The townships were identified by the Asia Foundation's research team—using multiple indicators and data sources—as either having EAO(s) present or having more than two battles per year in 2015 and 2016. There were 117 townships with an EAO presence, and one township without an EAO but with five battles in 2016. Other conflict data on landmines, ceasefires, and the presence of IDPs correlates with the indicators on EAO presence and active armed conflict. See the Methods Annex for further details on sources and methodology.
6. This estimate includes standing reserves as well as active troops. The United Wa State Army is the armed wing of the United Wa State Party (Burma News International [BNI] n.d.).
7. Data updated from Parks et al. 2013, 1, 14. In six states—Kachin, Kayin, Kayah, Mon, Rakhine, and Shan—ongoing conflict (or latent conflict during ceasefire periods) has been continuous, even if some ethnic armed groups have had a shorter lifespan.
8. This simple definition of development serves as a basis for this report. The term can embrace diverse and often conflicting ideas. For government technocrats, development is commonly understood as economic growth and the provision of social services. For others, it also encompasses broader notions of well-being such as human rights, human security, and community empowerment.
9. Border trade between Myanmar's Shan State and China is recorded as having dropped by over USD 210 million between April 1 and November 25, 2016, due to armed conflict. Xinhua, citing the Myanmar Ministry of Commerce ("Myanmar-China Border Trade" 2016).
10. The largest donors are The World Bank, Japan, the United Kingdom, the United States, the Asian Development Bank, South Korea, and the European Union. Chinese assistance is not recorded in official statistics. Source: Organization for Economic Cooperation and Development [OECD] 2016a.
11. See, for example: OECD 2011; World Bank 2011; Fukuyama 2004; Ghani & Lockhart 2008.
12. As the *Contested Corners* study notes, "one important difference between subnational conflict areas and fragile states is that increased government capacity does not necessarily lead to less violence" (Parks et al. 2013, 28).
13. Department for International Development [DFID] 2016; Australian Agency for International Development [AusAID] 2011.
14. Parks et al. 2013, 23–26.
15. Asia Foundation Violence Data Assessment; refer to the Methods Annex for more details.
16. As above.
17. Humanitarian Country Team [HCT] 2016.
18. Source: See MethodsAnnex for list of contestation sources, specifically Presence of Armed Clashes, Ceasefires, and EAOs.
19. The 118 townships include 117 townships with an EAO presence. See the Methods Annex.
20. See the Methods Annex for more information on sources used in the Township Development Index database.
21. Selth 2015. Some battalions are thought to be under strength, according to informal correspondence with observers of the Tatmadaw, hence the larger range presented here than in official estimates.
22. The number of peace processes that have taken place depends on the definitions used and the starting dates applied (See, for example: Transnational Institute - Burma Centrum Nederland 2013).
23. The two maps reflect data that is not comprehensive, but is indicative of areas experiencing conflict-related displacement as documented by humanitarian organizations during different periods of subnational conflict. Data from 2006 was collected by Thailand Burma Border Consortium (TBBC 2006). Data from 2016 was collected by UNOCHA (HCT 2016).
24. Elevation data source: WorldClim n.d. Conflict data source: Armed Conflict Location & Event Data Project [ACLED] 2016. Monthly conflict data, 2015–2016 from BNI n.d. National media was used to verify original sources. EAO presence data: Jolliffe 2015; BNI 2013, 2015a, & 2016.
25. Qualified use of the term *Rohingya* is necessary. The term is unacceptable to many ethnic Rakhines and not

recognized by the Government of Myanmar. The government has used the term Bengali, which is, however, unacceptable to many self-identified Rohingya in Rakhine State.

26. The area's ethnic and communal tensions are extensively addressed elsewhere. For example: Aron & Gilmore 2017; International Crisis Group [ICG] 2014b.

27. ICG 2016.

28. International Organization for Migration [IOM] 2017, 1.

29. United Nations Office of the High Commissioner for Human Rights [UNOHCHR] 2017.

30. For example, tensions exist between ethnic Shan and various other minorities in Shan State, and between different groups in Kachin State.

31. Ware 2015, 6.

32. Smith 1999.

33. Various sources including Jolliffe 2015; BNI 2013, 2014 & 2016. This map does not show border guard forces or militias. All of the included groups are recognized as Ethnic Armed Organizations and have attended peace talks at some point since 2011. As of mid-2017, WNO has merged with UWSA.

34. Jolliffe 2015; McCartan & Jolliffe 2016.

35. *Shan Herald*, reported in Buchanan 2016, 29.

36. Smith 1999, 41-44.

37. Most ethnic leaders, particularly the Shan and Kachin, favored a federation with Burma proper, but they also wanted to exercise some local authority.

38. More accurately called Arakanese. The synonymous term Rakhine is used here for simplicity.

39. The Four Cuts strategy aims to undermine armed groups by cutting off access to food, funds, information, and recruitment. It has caused major hardship to civilian populations in conflict-affected areas.

40. Many ethnic armed groups have also been accused of using child soldiers, forced recruitment, and a range of human rights abuses.

41. The attacks were conducted by the MNDAA. At least thirty people were reported killed, including an unknown number of civilians (Keenan 2017).

42. Min Zaw Oo 2014, 8.

43. As above, 8–11. Eleven Special Regions were established, offering economic concessions in return for a truce and political cooperation.

44. Woods 2011. During this period, calls for a political settlement were deflected on the basis that the government was "transitional" and that this should be taken up once a "political" government was in place. The military government refused to negotiate with coalitions of groups collectively and pursued only bilateral discussions.

45. President Thein Sein was elected in 2011, although the by-elections for 48 parliamentary seats in 2012 were the first to be freely contested. The refusal of the main opposition party to participate in the 2011 elections, and other concerns over the process, added to the significance of the 2012 by-elections.

46. BNI 2014, 4.

47. Trade figures are unreliable. Estimates that factor in informal and illicit imports and exports confirm China's position as the primary trading partner for Myanmar (Rab et al. 2016)

48. Financial years 2015-2014 and 2015-2016. As above, para. 127.

49. The United Wa State Army is the most prominent recipient of Chinese military hardware (Lintner 2017).

50. Yun Sun 2017.

51. ICG 2017.

52. "Suu Kyi Says Peace Process Will be Government Priority" 2016.

53. The framework provides for multiple political and ceasefire committees and for the establishment of five thematic working committees – security, political, economic, social, and land and natural resources – as well as holding peace conferences at multiple levels.

54. The Panglong Agreement was the outcome of two 1947 conferences, during which Kachin, Chin, and Shan leaders agreed to include their semi-autonomous territories in an independent Burma. Politicians and other leaders often refer to the Agreement as an example of ethnic reconciliation although, given that representatives of only three ethnic groups signed, it was far from comprehensive.

55. Quotation from Nationwide Ceasefire Agreement [NCA] 2015.

56. For example, armed clashes between the Tatmadaw and the Restoration Council of Shan State (RCSS) have continued since the NCA was signed, and the RCSS has also fought with the Ta'ang National Liberation Army (TNLA). In Karen State, a splinter group from the Democratic Karen Buddhist Army (DKBA) has repeatedly come into conflict with the Tatmadaw and border guard forces.

57. The four EAOs are the TNLA, Arakan Army (AA), Kachin Independence Army (KIA), and Myanmar National Democratic Alliance Army (MNDAA). They undertake joint operations under the banner of the Northern Alliance – Burma, with material support from the UWSP.

58. For a detailed account of the Communist Party of Burma, see Lintner 1990.

59. The Tatmadaw has viewed "internal disagreements" among Myanmar's various polities as an "evil legacy of colonialism," and stresses that "our country is a Union which has been formed since yore" ("Greetings of Commander-in-Chief of Defence Services" 2016). Civilian politicians including State Counsellor Aung San Suu Kyi also stress the importance of "unity."

60. The Nationwide Ceasefire Agreement [NCA] of 2015 commits signatories to "establish a union based on the principles of democracy and federalism … while upholding the principles of non-disintegration of the union, non-disintegration of national solidarity and perpetuation of national sovereignty" (NCA 2015).

61. For an overview of the General Administration Department see Kyi Pyar Chit Saw & Arnold 2014.

62. Six other languages are not officially classified as indigenous (Lewis , Simons, & Fennig 2016).

63. Ministry of Immigration and Population [MIP] 2015b. Myanmar's 'ethnic areas' refers to the seven states in Myanmar: Kachin State, Kayah State, Kayin State, Chin State, Mon State, Rakhine State, and Shan State.

64. A 1982 citizenship law defines eight 'major races' and a longer list of 135 'national races' that are disputed by many ethnic groups. Those considered alien are not entitled to full citizenship unless they can prove a line of descent within the country dating back to 1823.

65. Estimated population from data presented in 2014 census reports (MIP 2015e, 11).

66. Sakhong 2012.

67. For example, the Arakan National Party alliance emerged as the largest party in Rakhine State.

68. Fuller 2015; Lintner & Black 2009.

69. The road is known locally as *Pongyi Lan*, or "the monk road".

70. Even in the event of a successful peace process, such tensions are likely to continue.

71. BNI 2015b.

72. The TNLA's political wing is the PSLF – Palaung State Liberation Front (PSLF).

73. Elections were cancelled in Pangsang, Namphan, Pangwaun, and Mangmao in both 2010 and 2015. Many village tracts in Matman and Hopang also experienced election cancellations in 2010 and 2015 (Union Election Commission n.d. ; Centre for Peace and Conflict Studies [CPCS] 2011; Jolliffe 2015, 35).

74. Many urban and rural areas are in practice ethnically mixed, challenging some extreme visions of ethnic self-determination.

75. Parks et al. 2013, 31-35.

76. As above, 31.

77. As above, 57.

78. For example, the national infant mortality rate for children under five is thought to have declined by at least 40 percent between 1990 and 2014. Data compiled from various sources as presented in United Nations Children's Fund [UNICEF] 2012, cross referenced with 2014 census data.

79. World Bank 2013, 1.

80. Rab et al. 2016, 5.

81. Myanmar ranks 145th out of 188 countries on the 2016 Human Development Index (Human Development Report 2016 Team 2016, 200).

82. The Asian Development Bank estimates that 25.6 percent of the country is living below the national poverty line (Asian Development Bank [ADB] 2017, 2-6). In 2014, the World Bank estimated the figure to be 37.5 percent (World Bank 2014a, 7).

83. 2014 Myanmar Population and Housing Census. The actual figures may be lower, given that respondents may have been encouraged to respond positively to this and other questions about government service provision.

84. ADB 2015.

85. ADB 2016, 2. For the purpose of this report, "basic road access" refers to the year-round ability to travel by motorized means from the community center to nearby major commercial/governmental hubs. The NLD government has identified infrastructure, including upgrading the national road network, as one of twelve broad development priorities.

86. Zaw Oo et al. 2015.

87. Source: MIP 2015b. See Chapter 5, box 5.5 of this report for further detail on controversial international support for the census. The enumeration of ethnic and religious data was especially controversial.

88. United Nations Population Fund [UNFPA] 2016.

89. MIP 2015b, 12.

90. Source: The 2014 Myanmar Population and Housing Census. See Methods Annex for further detail on the indices and data used in this figure.

91. The Asia Foundation's Township Development Index. See the Methods Annex for more detail.

92. Source: See Methods Annex for further detail on the indices and subnational conflict data used in figures 3.3-3.7. Sources include the 2014 Myanmar Population and Housing Census, among others.

93. As above.

94. As above.

95. As above.

96. The primary education completion rate records the percentage of population above five years old having completed at least primary education (Census 2014).

97. Small conflict-affected populations in some of these townships were not enumerated, due to security constraints. School enrollment, at least at primary level, is known to be relatively high in the areas beyond the reach of the census enumerators, due to services provided by the KIO and other local providers.

98. Women's League of Burma [WLB] 2016.

99. Than 2014.

100. Census data shows that the overall proportion of females and males in formal education is almost equal (MIP 2015a, 20). The adolescent fertility rate in Myanmar is 33 births per 1,000 births annually (MIP 2016a, 12), compared to 44.6 in Thailand, 51.05 in Cambodia, and 38.12 in Vietnam in 2014 (World Bank n.d.).

101. Gender Equality Network [GEN] 2015; Hindstorm 2012

102. Shwe Shwe Sein Latt et al. 2017, 3. The total includes the 25 percent of seats reserved for the military, who are almost entirely male.

103. As above, ii.

104. Interview, May 2016, in Lashio, Northern Shan; reports by ethnic CSOs present similar findings. For example, see Network for Human Rights Documentation–Burma 2016.

105. Source: See Methods Annex for further detail on the indices and subnational conflict data used in figures 3.3-3.7. Sources include the 2014 Myanmar Population and Housing Census, among others.

106. Source: 2014 Myanmar Population and Housing Census. See Methods Annex for further detail on subnational conflict data used.

107. Palaung Women's Organization [PWO] 2011; GEN & Kachin Women's Peace Network 2013.

108. Lall & South 2016; Jolliffe & Speers Mears 2016.

109. Interview with senior Health Information Systems Working Group staff, March 2016. Quoted in Davis & Jolliffe 2016, 10.

110. For further information on the relations between the ethnic health organizations in southeast Myanmar, the NLD Health Network, and the Ministry of Health up until May 2017, see Davis & Jolliffe 2016.

111. Karen Women Organization n.d. ; Karenni National Women's Organization n.d.

112. Jolliffe 2016, 50.

113. This was the fourth of the SPDC's political objectives, which alongside four corresponding economic objectives adorned the front page of the New Light of Myanmar every day during this period.

114. Than Shwe 2009.

115. For example, see Than Shwe's 2005 meeting with UN Secretary-General Kofi Annan (Permanent Mission of the Union 2005); Burma: GOB "Rejects" Human Rights Report 2005.

116. Tagaung Institute of Political Studies 2017.

117. Myanmar News Agency [MNA] 2004.

118. Ministry of Information [MOI] 2017a.

119. As above.

120. Data available in The Asia Foundation's Township Development Index. Original source: MOI 2017a.

121. MNA 2011.

122. Jones 2016, 100.

123. As above.

124. As above, 100-107 writing specifically about the ceasefires in Kachin State.

125. Woods 2016, 118.

126. Jolliffe 2016, 44-49.

127. These subtownships were nominally folded back into townships after being found unconstitutional.

128. Jolliffe 2016.

129. For example, Chinese companies paid the Palaung State Liberation Front for access to business opportunities (Meehan 2016).

130. These include the PNO-linked Ruby Dragon company, the KIO-linked BUGA company, and others.

131. Minister U Aung Min, speaking to Mizzima News following the KNU ceasefire, January 14, 2012 (Radio Free Asia Burmese 2012).

132. Some internationally funded peacebuilding projects working with the government-run Myanmar Peace Center followed this approach. See Chapter 6.

133. See, for example, KHRG 2016b.

134. Tensions flared in 2008–2009 as the KIO saw its political proposals to the National Convention rejected outright, and it subsequently refused to form border guard forces under Tatmadaw command as ordered.

135. The exact reasons for the violence are disputed. The government accuses the KIO of detaining Chinese engineers at the site. The KIO blames the government for starting this particular offensive so that Chinese companies would not have to pay KIO taxes.

136. This skepticism applies especially to factions of the KNU, KNPP, NMSP, and associated civil society organizations.

137. ADB 2014.
138. Government figures from June 2015, quoted in Aung Shin 2015.
139. Zaw Oo et al. 2015.
140. Lynn & Oye 2014.
141. Figures from Bauer, Shortell, & Delesgues 2016, 2.
142. Township Development Index subnational conflict data on armed clashes 2015-2016.
143. Molo Women Mining Watch Network 2012.
144. Source: EcoDev-ALARM and Contestation Data. See Methodology Annex for further details.
145. Eh Na 2012.
146. Chan Mya Htwe 2015; "Tanintharyi Development Projects Must Not Proceed" 2016.
147. International Hydropower Association [IHA] 2015.
148. American University International Law Review 2001.
149. Forss 2016.
150. IHA 2015.
151. World Bank 2014b. According to World Bank specialists interviewed in early 2017, small solar power systems are to be distributed to off-grid areas, some of which are affected by conflict, until wider expansion can take place.
152. Forss 2016.
153. Sources: Su Myat Mon 2017, International Finance Corporation 2017b, Contestation data.
154. Interview, November 2016, Lashio, Shan State.
155. Interviews, February 2017, Kayah State.
156. Census 2014.
157. Interview with State Electricity Supply Department, January 2017.
158. The quantitative analysis in this chapter draws on three complementary sources: MIMU 2017; OECD 2016a; and The Asia Foundation Aid Data Verification Survey 2017.
159. Members of the OECD who provide aid to Myanmar are mainly Western developed nations plus South Korea and Japan. Some donors to Myanmar, including China, Thailand, India, and Russia, are not OECD members.
160. ICG 2006.
161. Government Accountability Office [GAO] 2007.
162. Lall 2016; aid data from OECD 2016a.
163. Thein Sein 2013.
164. McLannahan & Dickie 2012.
165. Robinson 2013.
166. This figure and the subsequent figure are in constant 2015 dollars.
167. OECD 2016a.
168. As above. Economies of scale and other factors affecting donor assistance mean that smaller countries such as Laos typically receive larger per capita sums.
169. OECD data includes all aid reported to the OECD, through bilateral or multilateral channels.
170. Two less prominent multilateral funds, the Global Alliance on Vaccines and Immunization and the Global Fund to Fight Aids, Tuberculosis, and Malaria, focus on health.
171. Gilmore 2016.
172. Private sector lending is not included in official aid data. The governments of India, Korea, Japan, Thailand, and the United States have all started extended export-import bank operations in Myanmar since 2011, often with portfolios of more than USD 100 million. See, for example, Kyaw Hsu Mon 2013.
173. The International Finance Corporation is the private sector lending wing of the World Bank. Aid contributions from non-OECD donor countries and private-sector lending are not captured in official OECD data on international development assistance.
174. Data for this graph, and subsequent graphs citing the Asia Foundation Aid Verification Survey as the source, covers active projects as of November 2016. Disbursement and commitment figures provided to The Asia Foundation in non-USD currency are reported based on the exchange rates on the date of form completion. Data on Australian funding represents best estimates of the bilateral program that do not fully reflect Australia's funding to Myanmar. Other donors have expressed concerns about programs not being fully represented in the Aid Verification Survey data due to reporting structures. For more information on the aid verification process see Methods Annex.
175. For example: Pyae Thet Phyo 2016.
176. Ten sector coordination groups of the DACU: transport and communications, agriculture and rural development, education and technical and vocational education and training, energy and electric power, environmental conservation, nutrition, social protection and disaster management, health, job creation, and macroeconomic management.
177. Funds for loans to farmers have generated public and parliamentary controversy. See Htoo Thant 2016.
178. Kyaw Htike Soe 2017.

179. Formally called the Kaladan Multi-Modal Transport Transit Project, the initiative aims primarily to improve access to northeast India via Myanmar.
180. Yun Sun 2017.
181. OECD 2016a.
182. The Asia Foundation's Aid Data Verification Survey 2017.
183. MIMU 2017 data only indicates the number of projects and not their value. Furthermore, it is largely limited to projects reported by NGOs and UN agencies, not by the multilateral banks or the Myanmar government.
184. Japan has also provided two notable grants for transport in Rakhine State.
185. Notably, however, the vast bulk of peace and conflict prevention funding is organized at the national level and is not included in these figures.
186. Correspondence with consultants to international aid agencies, November 2016 and June 2017.
187. The Border Consortium [TBC] 2014, 1.
188. As above.
189. For example, The Border Consortium's 2016 budget for its Thailand program along the Thai-Myanmar border was 25 percent less than the previous year (TBC 2016, 51).
190. Interviews conducted in late 2016 with humanitarian aid officials in Bangkok and in Yangon.
191. As above.
192. On average, across the entire Asia region, just USD 8.8 million—2.1 percent of annual aid—is spent on peace programming for subnational conflicts that are not experiencing a formal peace process or political transition (Parks et al. 2013, 67).
193. OECD 2016a.
194. The increases do not include humanitarian spending on natural disasters, such as reconstruction aid to Sri Lanka and Indonesia after the Indian Ocean tsunami of December 26, 2004.
195. Statements in this paragraph referring to countries other than Myanmar are based on data collected for the Contested Corners study.
196. While the government of the Philippines and the Moro Islamic Liberation Front signed an initial framework agreement in 2012 and a peace agreement in 2014, peace and security spending between 2012 and 2015 only totaled USD 84 million. For Thailand, 2012–2015 support for the peace process was only USD 13 million (OECD 2016a).
197. Aung Khaing 2016.
198. Myanmar Peace Support Initiative [MPSI] 2014.
199. See chapter 6, section 6.2, for details.
200. The PSF has been renamed the Paung Sie Facility (the "Working Together Facility") and will adopt a particular focus on social cohesion and intercommunal harmony.
201. MNA 2016.
202. Lun Min Mang 2016.
203. Parks et al. 2013.
204. OECD 2016b.
205. Gibson et al. 2005.
206. Boyce 2002.
207. The Asia Foundation Aid Data Verification Survey 2017.
208. Information from World Bank, Yangon.
209. Total commitment includes funding from non–World Bank sources (World Bank 2015).
210. Livelihoods and Food Security Trust Fund [LIFT] 2016.
211. Twelve donor countries and the European Union provide most of LIFT's funding. Support is also provided by the Mitsubishi Corporation (LIFT 2015).
212. Fourteen-point Agreement between the Government of Myanmar and the KNPP, June 2012. Reproduced in Keenan 2012.
213. Prior to the ceasefire agreement, the KNPP had previously fired artillery at engineers going to the dam site in 2010, stating, "We attacked the convoy because it brought the persons who can harm local people by building a dam" (Sai Zom Hseng 2010).
214. In her "Path to Democracy" speech, State Counsellor Aung San Suu Kyi stated unequivocally, "we have some people who say that development may lead the country to [peace.] I totally disagree with them" (Min Min 2017).
215. These factors were identified in the 2011 World Development Report. The Contested Corners of Asia report adapted the WDR framework to explain how aid can support transitions to peace in subnational conflict areas.
216. The problem of ensuring credible commitments has been explored extensively in the literature on why civil wars occur and why solutions to them can be so difficult to find. See, for example: Walter 2009.
217. Paragraph 25a of the NCA. Point 6, not mentioned above, concerns eradicating illicit drugs.
218. MOI 2017a.

219. South 2015.
220. The phrase 'peace before development' phrase was repeatedly used by interviewees from EAOs, civil society groups, and political parties in Shan and Kachin States, Myanmar, and Chiang Mai, Thailand, September 2016 – March 2017.
221. For an example of false assumptions of the association between development and peace, see Ministry of Border Affairs [MBA] & Japan International Cooperation Agency [JICA] 2013.
222. The December 2015 Framework for Political Dialogue was designed to follow up the NCA. It widens the scope of debate beyond issues within conflict-affected areas to include national policies on the economy, land, and the environment.
223. Richards, Morrice, & Carr 2016, 9.
224. The seven interviewees who did not report practicing conflict sensitivity worked with humanitarian organizations, in regional offices outside Myanmar, or for agencies with a rigidly apolitical mandate. Interviews were conducted between July and December 2016.
225. ADB n.d.
226. See also guidance developed internally by the UN-managed 3MDG and LIFT funds: LIFT n.d.; 3MDG 2015.
227. Donors working in less politically sensitive fields, such as child rights and child welfare, may find it easier to address conflict directly. See, for example: UNICEF 2017.
228. Interview with UNDP representative, October 2016.
229. See also the International Peace Support Group's *Recommendations* 2016.
230. Vit Suwanvanichkij, Johns Hopkins Center for Public Health and Human Rights. Quoted in Thornton 2015.
231. Interviews with senior representatives of the KNU and NMSP, and correspondence with the government's NRPC, May and June 2017.
232. Quoted in Michaels 2014. The Karen Education Department is a line department of the KNU.
233. For example, the NMSP and KIO's social service systems became increasingly aligned with government systems in the 1990s and 2000s and gained increased space to operate openly.
234. Health Convergence Core Group 2013.
235. Multiple peace agreements have collapsed in Myanmar's history. For example, the 17-year ceasefire with the Kachin Independence Organization collapsed in 2011.
236. NCA Paragraph 1a.
237. In other Southeast Asian countries with longer histories as aid recipients, aid projects offering technical assistance, training, and financial support to governments have incrementally strengthened central government departments and contributed to rapid poverty reduction. See for example: Muscat 1990.
238. Stewart 2008; Esman 1997. New aid flows to government institutions could, over time, help to strengthen the hands of civil rather than military leaders, but there is no guarantee that this alone will help to solve Myanmar's subnational conflicts.
239. Interviews with donor representatives, September-October 2016.
240. Callahan 2017.
241. ICG 2014a.
242. The Asia Foundation's regional *Contested Corners of Asia* report highlights three main factors: recipient government interests, donor priorities, and aid operations and methods (Parks et al. 2013, 83).
243. See for example the State of Local Governance reviews backed by the United Nations Development Program (UNDP Myanmar 2014a-g & 2015a-g).
244. Interviews with government officials, Naypyidaw, April 2017.
245. On IFC support for the Ban Chaung Coal mine: Martov 2017. On Thai Government and ADB support for the Asia Highway: KHRG 2016a.
246. Martov 2017.
247. Nationwide, landless rates in agriculture in 2009-2010 were 19.8 percent for all households, and 33.6 percent for households classified as poor (UNDP 2011, 43).
248. The KNU has a particularly extensive land registration system.
249. Diaspora groups, alongside international civil society campaigners and researchers, play a key role in opposing large dams in Myanmar.
250. In 2010, the Restoration Council of Shan State kidnapped Chinese engineers from the Tasang dam site.
251. One hundred and seventy one out of 215 articles mentioning dams included references to international financing. The articles covered the period from 2013 to 2016.
252. Interviews with representatives from EAOs, civil society organizations, and political parties, Shan and Kachin States, Myanmar, and Chang Mai, Thailand, September 2016—March 2017.
253. The IFC works with the Ministry of Natural Resources and Environmental Conservation (MONREC) and the Ministry of Electricity and Energy (MOEE). Information from interview with IFC representative, February 2017.
254. Deetes 2016.

255. See, for example, the publications of the World Commission on Dams 2000. Interviews were also conducted (in person and by email) with environmental consultants and academics based in Singapore, Thailand, and the UK, December 2016—January 2017.
256. The debate and critique surrounding the promotion of smaller dams as a panacea is summarized in Blanc & Strobel 2013.
257. Sadan 2016.
258. The EITI is mentioned in the 2015 NCA (Paragraph 25b).
259. Donor support has been provided via international NGOs for the Karen Environmental and Social Action Network (KESAN), which works with the KNU's Departments for Forestry and Agriculture.
260. Kevin Woods and others argue that economic changes in many of Myanmar's conflict-affected areas have been gradually 'developing disparity' and that the predominantly rural population has been placed under increasing strain (Buchanan, Kramer, & Woods 2013).
261. The government's brief twelve-point summary of its economic policies forms a basis for more detailed plans (Government of Myanmar 2016).
262. See, for example: Chamberlain, et al. 2014. For an overview of the agricultural sector, see Than Tun, Kennedy, & Nischan 2015.
263. For example, foreign investment following liberalization of the telecoms sector has led to relatively widespread and affordable access to modern mobile phone networks, even if the most remote areas are still beyond network reach.
264. Frontier Myanmar 2015.
265. Burke, Tweedie, & Poocharoen 2013.
266. For example, interviews with villagers in Hpruso, Kayah State, in January 2017 revealed that individual benefits such as access to subsidized loans and scholarships for students, often funded by foreign aid, were monopolized by wealthier and better-connected families within villages.
267. MacGregor & Shwe Yee Saw Myint 2014.
268. In Kayin State, residents close to newly established administrative towns explained that Bamar people and other Myanmar speakers had arrived for the first time, sometimes causing tensions (Interviews, Kayin State, February 2017).
269. Interviews, Hlaingbwe, Kayin State, November and December 2016.
270. Interviews with international NGO staff, Hpa-an, Kayin State, May 2017.
271. Aid agencies have been encouraged to work in certain parts of Kayah, Kachin, and Shan States, but discouraged from working in others.
272. For further information, see Jolliffe 2016.
273. Both Government and EAOs sought to direct aid projects for security purposes. Interviews with aid agencies operating in Shan State and along the Thai-Myanmar border, Bangkok and Yangon, October and November 2016.
274. "Overall, the number of [Ministry of Education (MoE)] teachers in [KNU]-supported schools almost tripled between the 2012–13 and 2015–16 school years, from 1,574 to 4,718, leading to the creation of 379 new mixed schools. In 2015–16, 49.3 percent of [KNU]-supported schools also had MoE teachers, up from 26.6 percent in 2012–13. (Jolliffe & Speers Mears 2016, 64)
275. See Chapter 4. By early 2017, several donors (Japan, the World Bank) had already provided some budget support. Others were looking to do so if appropriate financial and administrative channels could be established.
276. Correspondence with national level government official, April 2017; discussions with state level government officials, Hpa-an, May 2017.
277. The Asia Foundation's nationwide survey on civic knowledge and values in Myanmar confirms fieldwork data from this study. It found that among respondents who felt that things were moving in the right direction, the building of roads was the most cited reason (The Asia Foundation 2014).
278. Fieldwork conducted in nine villages in eastern Namhsan, Shan State, late 2016 - early 2017. The government's National Community Driven Development Project, with World Bank funding, is the most prominent participatory project in the area.
279. Case study research in Kayah and Shan States confirmed earlier evaluations by finding that localized approaches to engagement and decision-making, and the provision of tangible, direct returns to communities, helped reduce the risk of that development would be seen as top-down or exploitive.
280. Interview with a Central Executive Committee member of the KNU, November 2016.
281. EAOs have repeatedly called for increased international engagement, including neutral mediators and monitors. One Karen National Union official argued, "the international community needs to keep up pressure and funding, or we will end up back in the jungle" (Interview with senior KNU figure, Kayin State, November 2016).
282. In February 2017, China's ambassador to Myanmar, H.E. Hong Liang, said, "Presently, the most important thing for the peace process is for all national ethnic armed groups to sign the Nationwide Ceasefire Agreement." Interview with the Ministry of Information, Government of Myanmar (MOI 2017b).

283. EAOs that did not sign the NCA are regarded as unlawful associations.
284. Quoted in Mizzima interview (Zarleen 2015).
285. Interview with senior KNU representative, November 2016.
286. EAO leaders fear they are just being coaxed into "signing pieces of paper" for show. Interviews with NMSP, KIO, and KNU leaders, November 2016–August 2017.
287. Interview with donor, July-September 2016. Another representative went further still, describing the NCA as "… almost a distractionary tactic these days, detracting attention from the real problems" (Communication, August 2017).
288. Interviews and informal communication with donor peacebuilding specialists, January–June 2017.
289. Written communication with representatives of three EAOs, April 2017.
290. See for example Adler, Sage, & Woolcock 2009.
291. Davis 2016.
292. Peace Support Fund 2015.
293. Interviews with donor representatives, March and June 2017.
294. UK Parliamentary International Development Committee 2014; DFID provided Inter Mediate with about USD 3.5 million (GBP 2.7 million) between 2012 and 2017 (UK Parliament 2017). Inter Mediate was founded by Jonathan Powell, former chief of staff to Tony Blair.
295. Aid agency representatives responsible for peace support consistently mentioned this change in the scope to engage the government during interviews conducted in 2016 and early 2017.
296. This funding was initially provided by the UK, but was expanded as other donors joined a coordinated effort.
297. See, for example, Minoletti 2016.
298. Paffenholz and Ross 2015.
299. Johanson 2017.
300. Ethnic civil society advocacy and media groups that engage on conflict issues are relatively well developed in some parts of the country given active communities of exiles and decades of international support.
301. According to State Counsellor Aung San Suu Kyi, the JCB would "fairly and effectively manage the funds by coordinating and allocating them to the sectors based on the real situation rather than donor-oriented ones." Statement of State Counsellor's Office, quoted in Lun Min Mang 2016.
302. Interviews with senior EAO representatives, February 2017- July 2017.
303. As above.
304. Communication with donor representatives, May-July 2017.
305. Saning 2016.
306. Phillips 2017; MacGregor 2016.
307. For example, the Shalom Foundation has been critical of all sides in Kachin State (Lahtaw, Zakhung, & Lahpai 2014). The new Joint Coordinating Body [JCB] may restrict civil society groups' access to international peace support, a change with potentially negative implications for the overall accountability of both government and EAOs in the peace process.
308. Jagan 2016.
309. Johnson and Lidauer 2014.
310. Interviews with donor representatives, Yangon, January 2017. In addition to its own private resources, the Nippon Foundation received a specific grant from the government of Japan for peacebuilding in Myanmar.
311. The low-cost houses have typically been inhabited by EAO members, families, and affiliates, or in some cases by formerly displaced persons.
312. Sein Twa 2012; Saw Khar Su Nyar 2012.
313. Government incentive offers were blamed for the splintering of the KNU and associated violence in the 1990s.
314. The most notable example is the breakdown in 2011 of a seventeen-year ceasefire between the government and the KIO. Furthermore, the KNPP signed a ceasefire with the government in 2005 that broke down within three months, and a ceasefire with the DKBA's Third Brigade, signed in November 2011, fell apart in February 2012.
315. UNICEF 2017. The Asia Foundation, meanwhile, has supported government decentralization, building on focused research and interventions with local administrations.
316. Interviews with donor staff and consultants working for aid agencies (in Yangon, 2016–2017) emphasized the significance of disbursement pressure in shaping approaches.
317. International involvement in security-sector reform accounted for an insignificant proportion of aid flows for subnational conflicts in South and Southeast Asia between 2000 and 2010 (Parks et al., 65).
318. International Center for Transitional Justice 2009, 32–33.
319. Min Min 2017.
320. Interview with civil society representatives, August 2016 - August 2017; Human Rights Watch 2011.
321. MOI 2008.
322. Interviews, Yangon, May 2017.
323. MPSI 2014.

324. For more detail on gender see: KHRG 2016b; WLB 2016; Transnational Institute 2016.
325. Examples in Myanmar include vague application of the term 'social cohesion' by UNDP and the term 'resilience' by several international NGOs (UNDP Myanmar 2013). This problem is also discussed in CARE 2012.

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ANNEX: METHODS

The Contested Areas of Myanmar combines six qualitative and quantitative research methods to understand conflict, patterns of aid and development, and the impact of aid and development on conflict. Data collection commenced in June 2016 and finished in July 2017.

Six main methods were used (table A.1). Each is discussed below.

TABLE A.1
Research methods

METHOD	1. UNDERSTANDING CONFLICT	2. UNDERSTANDING PATTERNS OF AID AND DEVELOPMENT	3. UNDERSTANDING IMPACTS OF AID AND DEVELOPMENT ON CONFLICT
1. Secondary source analysis	X	X	X
2. Aid data survey		X	
3. Township development indicators & index	X	X	X
4. Locality case studies/ field work	X	X	X
5. Key informant interviews	X	X	X
6. Media discourse assessment	X		X

SECONDARY SOURCE ANALYSIS

The first step in the research process involved reviewing the existing literature on conflict in Myanmar, examining how the drivers and dynamics of subnational conflict had previously been framed. Additional sources on development processes and policies, and on foreign aid norms and practices, were also studied. Over 50 secondary resources were reviewed at the inception phase.

The literature review contributed to the research team's understanding of how subnational conflict is characterized, dominant and historic narratives, what evidence was available, and widely held assumptions about the relationship between conflict and development. It informed the team's subsequent framing of the drivers of subnational conflict in Myanmar at the national and local levels.

AID DATA VERIFICATION SURVEY

In key informant interviews (see below), the TAF research team was encouraged to conduct a survey to ensure completeness and comprehensiveness of aid data used in the CAM study. This led the research team to conduct an independent analysis of aid spending: *The Asia Foundation Aid Data Verification Survey 2017*. The survey targeted a long list of 25 cooperation partners who, according to existing data, had committed the largest amount of aid to the country.

Twenty-one donors responded to the survey. A form was distributed in November 2016 and, through close collaboration with donor counterparts, all data was finalized by May 2017. A final validation process was undertaken in June–August 2017 to verify data with all donors surveyed. Currency conversions were calculated on the date of data entry, as per other aid data management systems.

The survey covered live projects that were being implemented as of November 2016, a date chosen due to the requirements of the research timeline. For each active project, the survey collected: the project's name, finance type, amount committed, amount disbursed, sector, partner ministry, implementing organization(s), and locations. These variables were based on the standardized reporting framework of the OECD. Seventeen of the 21 donors provided new information, while the remaining four referred the team to Mohinga Aid Information Management System (AIMS), the government's aid database.

The dataset informed analysis in the report of the key features of aid to Myanmar (as outlined in chapter 4). The dataset complemented other sources used for the analysis, including the OECD Creditor Reporting System Aid Activity Database and MIMU's 3W, 'Who is doing What, Where', database.

There are many weaknesses in subnational aid data and challenges were incurred in tracking financial information below the state and region level. While the research team sought to disaggregate commitments and expenditures within projects by local geographic areas, this was challenging due to the ways that donors and implementing agencies report data on their programs.

TOWNSHIP DEVELOPMENT INDEX (TDI) AND INDICATORS

The research team developed a consolidated database of 98 indicators across Myanmar's 330 townships covering six categories:

- Demographics;
- Development;
- Subnational conflict/contestation;
- International development assistance;
- Geography, natural resources, and climate;
- Infrastructure.

Townships were selected as the main geographic unit as this is the lowest administrative level for which comparable data exists across a range of indictors. The TDI database draws on 2014 census data along with open source satellite imagery, as well as conflict data. It includes a township level development index, the first created at this administrative level in Myanmar. The combination of development and conflict data allowed for nuanced analyses of linkages and township level comparisons.

There are, however, limitations to the TDI. It does not capture the various micro contexts within a township that influence development or the incidence or impacts of conflict: rural/urban divisions, altitude and terrain, distance from roads, remoteness, patterns of ethnic armed organization and government control, proximity to live conflict, amongst others. Differences within townships were assessed by other methods, including case studies.

The workflow for developing the database involved: i) collecting data, assessing its quality, and verifying original sources; ii) recoding multiple sources of data with common indicators and definitions; iii) transforming open source satellite imagery (spatial dataset) to a file database with common indicators; and iv) restructuring the dataset with place-codes, which were used as the primary key for the database management system.[1]

A number of indices were created using the 2014 census data (figure A.1).[2] The overall development index is a composite of three subindices on education, living standards, and health, with measures drawn from the 2014 census. In total, sixteen indicators were used. Indicators were equally weighted within and across each subindex.

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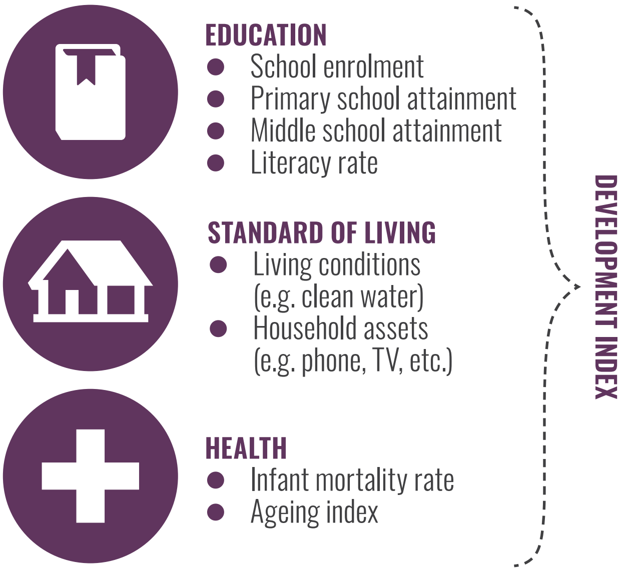
[1] Myanmar Information Management Unit (MIMU) (n.d.).

[2] The methodology for the various indices was influenced by the Global Multidimensional Poverty Index, developed by the Oxford Poverty & Human Development Initiative and the United Nations Development Program. This approach complements monetary measures of poverty by considering overlapping deprivations suffered by individuals. Based on data availability, additional or alternative indicators were used in the construction of the TDI indices. Information on the main data sources used for the development indicators is provided at the end of this annex.

The index methodology was developed in consultation with Darin Christensen, Assistant Professor of Public Policy, University of California, Los Angeles (UCLA) and Mai T. Nguyen, Department of Politics, New York University. Indicators included in the development index and sub-indexes were as follows:

- **Education:** literacy rates, school enrolment, primary school attainment, and middle education attainment.[3]
- **Standard of living:** twelve indicators on living conditions were used (e.g. clean water access) and household assets (e.g. television or phone possession).[4]
- **Health:** infant mortality rates (the ratio of deaths under one year of age to the number of live births in the same year) and ageing index scores (the ratio of the number of persons aged 65 and older to every 100 persons aged under 15).[5]

FIGURE A.1
The Township Development Index and Sub-Indices



The combination of multiple indicators aims to balance out known strengths and weaknesses of different census data. For instance, analysts have highlighted overreporting specifically with regards to literacy rates. As in other countries, underreporting of taxable items may be an issue. However, this pattern is likely consistent across the country and, as such, should not affect comparisons between areas. The health subindex, on the whole, is limited by the availability of reliable health data at the township level.

Limitations of the 2014 census

There are known data gaps in the 2014 census. Some people, including in conflict-affected areas, were not enumerated. In Rakhine State an estimated 1,090,000 people, around 34 percent of the state's population, were not enumerated. Many people who wished to self-identify as Rohingya, mainly in the northern townships of the state, were not enumerated. In Kachin State, the estimated population not enumerated was 46,600, approximately 2.75 percent of the state's population, from 25 village tracts mostly in Mansi and Momauk Townships. In Kayin State, 4.43 percent of the state estimated population were not enumerated, mainly from some villages in Hpa Pun Township.[6]

Efforts were made to correct demographic details to account for those not included in the census survey. The census population figures were adjusted to address the anomalies through drawing on the 2011 Township Health Profile, as this was the last year that this data was made publicly available. While imperfect, use of an additional government source allows for closer estimates of the population to be reflected.

Nighttime lights and the development index

Data on nighttime lights, a recognized proxy for levels of economic development,[7] were collected via satellite imagery for Myanmar's 330 townships (1993-2013). As a validation check of the index, the research team compared township level nighttime lights (or luminosity) from 2013 with the development index to determine the degree of correlation

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[3] Educational attainment refers to the highest grade/standard completed in the education system of the country where the education was received, covering both public and private institutions accredited by the government.

[4] Indicators include: percentage of households that the census results reported to be using clean cooking fuel, percentage of households reported to have improved water for drinking, percentage of households reported to have access to improved sanitation facilities, percentage of households reported to have improved floors (e.g. non-dirt floors), percentage of households reported to have access to electricity, percentage of households that were reported to have a telephone, percentage of households that reported having a radio, percentage of households that were reported to have a television, percentage of households that were reported to have a motorcycle, and percentage of households that were reported to have a bicycle. Original source: Census 2014.

[5] For more information on definitions, see MIP 2016b, 125 & 127. Original source: Census 2014.

[6] MIP 2015c; MIP 2015d; MIP 2015e.

[7] Data source: NOAA n.d. There is a body of research on using nighttime lights data as a proxy for numerous variables including economic growth, particularly in developing country contexts where there is an absence of accurate measures for income growth, historic national statistics are weak, and a significant proportion of economic activity is carried out in informal sectors. A recent paper also correlates luminosity data and responses from geo-referenced household surveys to show that "light emissions are highly accurate predictors of economic wealth" (Weidmann & Sebastian 2017).

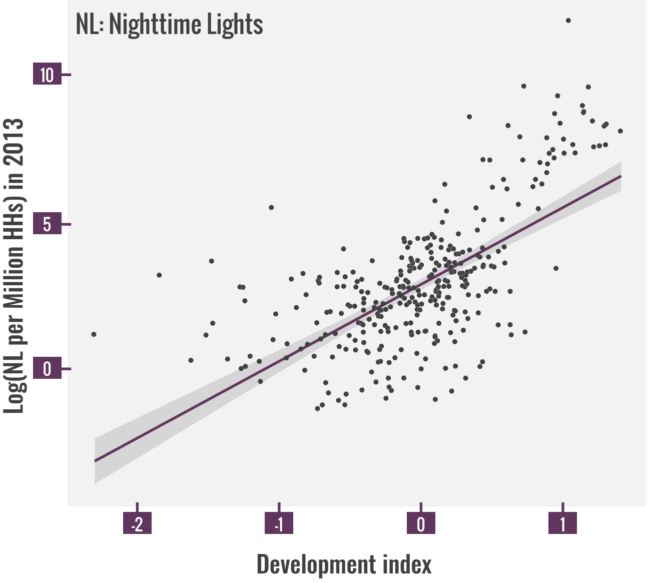
(figure A.2). The positive association provided confidence in the use of the development index.

CLASSIFYING MYANMAR'S SUBNATIONAL CONFLICT AREAS

Each township was classified as either affected or not by subnational conflict. The process to classify areas looked first at the correlates between different indicators:[8]

- Armed clashes (2013–2016);
- Remote violence (IEDs, landmine incidences) (2011–2016);
- Violence against civilians (2015–2016);
- Landmine contamination (2014–2016);
- Presence of IDPs (number of camps and total population) (2002–2016);
- Presence of state and non-state armed actors, including EAOs, Tatmadaw, and paramilitaries;
- EAO service providers;
- Ceasefire arrangements NCA (2015–present) and bilateral agreements (1989–2010; 2011–present);
- Elections cancelled for security purposes (2010, 2015).

FIGURE A.2
Relationship between nighttime lights and the development index



The most common factor associated with the other indicators was the presence of EAOs. Due to this, the presence of EAOs became the first step in classifying a township as being affected by subnational conflict. Both townships with live conflict (armed clashes) and latent characteristics (an absence of armed violence, but with continued presence of armed groups) were included as conflict-affected. Areas where there was not an EAO present, but where five or more armed clashes had occurred in recent years (2015 and 2016), were also considered to be affected by subnational conflict. After consolidating and verifying multiple sources, 117 townships were identified to have at least one EAO present and one township, Rathedaung, was found to not have an EAO present but to have had five or more armed clashes.[9] A total of 118 townships were classified as subnational conflict areas. Townships with high scores on the other conflict indicators tended to be included within these 118 townships.

Verifying and coding violence data

The total number of armed clashes was calculated by The Asia Foundation from several different sources, which were compared, analyzed, and verified. The data was subsequently recoded to use the term 'armed clashes' or 'battles,' defined as a violent altercation between organized armed groups. This category focuses on violence between the Tatmadaw (or affiliated border guard forces) and EAOs, or between EAOs. The recoding process and assessment of data drew on international standards and definitions captured in *The Asia Foundation's Violent Monitoring Systems: A Methods Toolkit*.[10] The process highlighted some flaws in original data sources, some of which did not use standardized definitions. This process allowed the team to develop an accurate, although still indicative, dataset of violent conflict incidences using open sources.

LOCALITY CASE STUDIES AND FIELD WORK

To explore the effects of aid and development in contested areas, the research team also conducted four case studies in townships in Kayah, Shan, Kayin, and Kachin States (table A.2).

Locations for the case studies were selected using purposive sampling utilizing the following criteria: to reach populations affected by different levels and characteristics of contestation; capture variation in ethnic composition; maximize geographic coverage; and cover different development processes and aid interventions. A longlist of conflict areas was narrowed down by considering these factors against coverage of five major development interventions:

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[8] Data sources used are listed at the end of this annex.
[9] EAOs with bilateral ceasefire agreements with the government are present in approximately 94 townships. Around 40 percent of these townships experienced armed clashes in 2015–2016, despite the agreements.
[10] Morel 2016.

TABLE A.2
Locality case studies

STATE	TOWNSHIP
Kayah	Loikaw, Demoso, Hpruso, and Bawlakhe
Shan (North)	Namhsan and Manton
Kayin	Hlaingbwe
Kachin	Myitkyina and Waimaw, including three IDP camps

hydropower dams and electrification; roads; community and local development; peacebuilding; and social services, specifically health and education. In Kachin State, rather than focusing on a specific geographic region for localized analysis, the approach was adapted to examine development during and following the ceasefire period of 1994–2011.

Case studies involved conducting interviews and focus group discussions in towns and villages within the townships. Approximately six to nine villages were reached per case study. The sampling of villages sought diversity in terms of the dominant ethnicity of residents and proximity to aid interventions. Focus group discussions included village heads, development committees, teachers, health professionals, other local leaders, and members of the village population. Interviews in towns included township government officials, business leaders, and representatives from women's groups, community based groups, and civil society.

Gender balance was sought in the case study research process both in terms of the interviewees and within the research team. Mixed-sex focus groups were used to allow for gender-relational dynamics to come to the surface. Where this approach led to an imbalance in gender perspectives, women-only focus groups were also conducted. This allowed for gender-specific perspectives on development issues, including maternal health and access to services, to be unpacked more candidly. The composition of local research teams and their ethnicity was carefully planned to ensure trust could easily be established with local residents and that focus group discussions and interviews could be conducted in ethnic languages.

KEY INFORMANT INTERVIEWS

Additional interviews were conducted with approximately 120 national and international experts, donors, and government officials. These included staff of eight national government ministries, more than thirty donor agencies, three state or region governments, and representatives from the UN, multilateral organizations, academia, international nongovernmental organizations, and civil society organizations. Key peace process stakeholders were interviewed, including representatives from the National Reconciliation and Peace Center, the former Myanmar Peace Centre, ethnic armed organizations and alliances, and members of committees within the peace negotiations architecture. The majority of interviews took place in Yangon with additional interviews conducted in Naypyidaw, Mawlamyine, Hpa-an, Chiang Mai, and Bangkok.

MEDIA DISCOURSE ASSESSMENT

The media discourse assessment was designed to capture a broad spectrum of narratives around development, aid and conflict, and the peace process. Aligned with the case study approach, it focused on four main fields in which foreign aid agencies are active: the peace process and peacebuilding, roads, hydropower dams and electrification, and health and education services. Given limited media coverage of local development initiatives, this sector was not considered in the assessment. The process involved reviewing and coding over 700 news articles from different national media outlets, both state-owned and private, including ethnic and local media.

During an exploratory phase which involved identifying prominent subthemes under each sector (see table A.3), codebooks were developed, tested, and finalized. Coding was designed to capture, where possible, locations of incidents as well as the type of sources referenced in each article, such as a politician, government official, local citizen, representatives from civil society organizations, international donors and NGOs, researchers, and armed groups. This methodology captured headline issues and dominant public discourses around development and aid, including interventions in contested areas. It developed a rich evidence base on contested perspectives among national stakeholders—the NLD government, the military, ethnic political parties, EAOs, civil society, and local community groups—on development processes. Quantitative and qualitative analysis of the media material shaped the examination of narratives and perceptions of development interventions, aid, and the peace process.

TABLE A.3
Themes covered in the media assessment

THEME	SUBTHEME
Peacebuilding	Panglong conference / Union Peace Conference
	Nationwide Ceasefire Agreement
	Breaches of ceasefires
	United Nationalities Federal Council and inter-ethnic alliances
	Foreign funding/involvement
	Federalism and revenue sharing
	Illicit economies
	Women in the peace process
	Local/CSO driven peacebuilding initiatives
	Conflict insensitivity and lack of consultations
	Abuse of civilians/civilian loss/material damage
Roads	Local socioeconomic development
	National economic development
	Long distance or border trade
	Connection to specific development objectives (e.g. mines, Special Economic Zones, etc.)
	Connection to peace and conflict (i.e. increased militarization in the project area and armed conflict)
	Foreign funding/involvement
	Displacement and loss of livelihoods
	Taxation
Hydropower dams	Electrification
	Other socioeconomic development
	Foreign funding/involvement
	Increased militarization and armed clashes
	Displacement and loss of livelihoods
	Environmental degradation
	Environmental benefits
Education	Education provided by the central government
	Education provided by CBOs, CSOs, or EAOs
	Construction of new education facilities
	Foreign funding/involvement
	Insufficient quality of education/negligence of the education system
	Obstruction of education due to armed conflict
	IDP/refugee education
	Ethnic education (i.e. mother-tongue-based education, ethnic history, and culture education)
	Coordination of state and ethnic services
Health	Health services provided by the central government
	Health services provided by CBOs, CSOs, or EAOs
	Construction of new health facilities
	Foreign funding/involvement
	Insufficient quality of health services/negligence of the health care system
	IDP/refugee health
	Perceived ‘Bamarization’ (e.g. concerns over ethnicity of staff)
	Coordination of state and ethnic services

MAIN SOURCES OF DEVELOPMENT DATA

Ministry of Immigration and Population (2014). *The 2014 Myanmar Population and Housing Census.*
National Oceanic and Atmospheric Administration (n.d). *Defense Meteorological Satellite Program – Operational Linexan System Nighttime Lights Time Series.*
Ministry of Health and Sports. (2011). *The 2011 Township Health Profile.*

MAIN SOURCES OF SUBNATIONAL CONFLICT DATA

ALTSEAN-Burma (2010). "2010 Election Watch."
Armed Conflict Location & Event Data Project (2015-2016). *Real time Running Asia File.*
Armed Conflict Location & Event Data Project (2015). *Armed Conflict Location and Event Data Project (ACLED) Codebook ACLED – ASIA.*
Armed Conflict Location & Event Data Project (2016). *Myanmar 2015-2016 File.*
The Border Consortium (2010). *Protected Displacement & Chronic Poverty in Eastern Burma / Myanmar.*
The Border Consortium (2013). *Poverty, Displacement and Local Governance in South East Burma / Myanmar.*
The Border Consortium (2014). *Protection & Security Concerns in South East Burma/Myanmar.*
The Border Consortium (2015-2016). *Refugee and IDP camp population data files 2015-2016.*
Buchanan, J. (2016). *Militias in Myanmar.* Yangon: The Asia Foundation.
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Lun Min Mang & Ye Mon (2015). "Ceasefire pact is 'historic gift': president." Myanmar Times.
McCartan, B. & Jolliffe, K. (2016). *Ethnic Armed Actors and Justice Provision in Myanmar.*
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Union Election Commission (n.d.).
United Nations Children's Fund (2015 & 2016). *Landmines/ERW Information (Jan-Sep 2016).*
United Nations Office for the Coordination of Humanitarian Affairs (2012). *Recent Rakhine emergency, reported IDP figures: 5 Nov 2012* [Map].
United Nations Office for the Coordination of Humanitarian Affairs (2013). *Myanmar: Internal Displacement in Kachin and northern Shan States* [Map].
United Nations Office for the Coordination of Humanitarian Affairs (2013). *Myanmar: Internal Displacement in Rakhine State As of 30 November 2013* [Map].
United Nations Office for the Coordination of Humanitarian Affairs (2014). *Myanmar: Internal Displacement in Kachin and northern Shan States* [Map].
United Nations Office for the Coordination of Humanitarian Affairs (2014). *Myanmar: IDP Sites in Rakhine State* [Map].
United Nations Office for the Coordination of Humanitarian Affairs (2015). *Myanmar: Internal Displacement in Kachin and northern Shan* [Map].
United Nations Office for the Coordination of Humanitarian Affairs (2015). *Myanmar: Internal Displacement in Rakhine State* [Map].
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