Joint EU Development Partners' Transitional Strategy for Myanmar

2014-16

1. Introduction

The civilian government headed by President U Thein Sein that came to power in March 2011 has embarked upon a remarkable transition process and launched a comprehensive reform agenda which has ended the country's isolation from the wider world. Myanmar aims to achieve democratisation, domestic peace, and sustainable and inclusive growth, but is challenged by an historical legacy that includes a weak democratic culture and a poor human rights record, ethnic conflicts, deep-rooted poverty, and fragile state institutions.

The rapprochement between the government and Daw Aung San Suu Kyi has been remarkable. Her party, the National League for Democracy (NLD), ran and won most of the seats in the April 2012 by-elections, a ballot deemed to be free and fair, and a significant improvement over the 2010 elections. The current Government has also identified concluding comprehensive settlements to end all armed conflict in the country as a national priority. Since August 2011, it has successfully negotiated bilateral ceasefire agreements with 14 out of 16 ethnic armed groups. The expected signing of a nationwide ceasefire agreement later this year is scheduled to be followed by a national political dialogue addressing the concerns of ethnic groups who are seeking greater political and economic autonomy for their regions. These reconciliatory steps boosted confidence in the Government's commitment to political reform, both domestically and internationally.

The EU and Member States have responded in a gradual and measured way to the opening and reforms. Based upon the progress made in 2011 and early 2012, the Council of the European Union suspended EU sanctions in April 2012. This was followed by period of increasing engagement at all levels in response to further political and economic reforms, and in April 2013 EU sanctions apart from the arms embargo were lifted altogether. The suspension of EU restrictive measures enabled the EU and Member States to engage directly with the Government for the first time. The Council Conclusions of July 2013 set out a Comprehensive Framework for the European Union and Member States' policy and support to Myanmar/Burma for the next three years.

The EU Comprehensive Framework sets out the EU and Member States' goals and priorities towards building a lasting partnership and promoting closer engagement. The goals are to support political, social and economic development, while fostering respect for human rights and assisting the government in building its place in the international community. It is a collective effort involving actions by EU Member States and EU institutions to support peace, democracy, development and trade.

The Comprehensive Framework states that authorities in Member States and EU Institutions will work together to plan their programmes of assistance and will be guided by the Framework. In this context the EU is fully engaged in development partner coordination efforts locally in the framework of the Nay Pyi Taw Accord agreed in January 2013 and are proceeding towards Joint Programming of EU and Member States development aid, as agreed by the Heads of EU Missions in Myanmar.

In November 2013, the EU-Myanmar Task Force gave a visible signal, offering a high level platform to pull together EU resources to help the transition move forward while taking into account the priorities set out in the Comprehensive Framework for the European Union's policy and support to Myanmar.

Against this background, this Joint EU Strategy for Myanmar has been prepared and agreed at the local level by the following European Union Member States delegations and EU Institutions and bodies with ongoing and planned development cooperation in Myanmar:

Czech Republic
Denmark
EU (EEAS and European Commission)
Finland
France
Germany
Hungary
Ireland
Italy
Luxembourg
Netherlands
Poland
Sweden
UK

The period of this first, Transitional Strategy has been set at 2014-16 to allow the subsequent strategy to align with the next Government's presumed planning cycle and elections expected in late 2015.

It should be taken into account that all financial information provided in this Strategy document is in the form of indicative estimates only and does not represent a formal commitment by any of the development partners concerned. These figures will subsequently be revised on an annual basis. It should also be recognised that this Strategy focuses on setting out the main lines of European Union and Member States' future support for 2014-16. It does not seek to go into details of how individual European Union development partners will carry out their work in the agreed sectors and areas, whether through trust funds, individual programmes, what modalities or which implementing partners, for example. Such issues will instead be left to the bilateral formulation and implementation plans that each will develop according to their internal rules and procedures. These plans will nevertheless be guided by the EU Comprehensive Framework and this Joint Transition Strategy, in terms of sector focus, financing and duration.

It should be noted that this Joint Transition Strategy includes new financial commitments to be made by the EU and its Member States for the 2014-20 period. It does not include financial commitments made in 2013 and before which have begun implementation and which will continue to be implemented in 2014 onwards. These previous commitments represent the ongoing portfolio of EU and Member States projects and programmes which amount to some EUR 480 million (USD 648 million) as of the end of 2013.

2. Summary of Country Analysis

The country analysis builds upon, and is informed by, the experience and knowledge of European Union development partners present in the country, as well as from a Political Economy Analysis commissioned jointly by the EU and its Member States which was completed in February 2013.

Myanmar has suffered from an extended period of authoritarian rule, long-term ethnic strife, fragile state institutions, and deep-rooted structural poverty. Decades of military control eroded the rule of law and severely weakened the judiciary and state institutions. The country has not enjoyed domestic peace since independence in 1948. Ethnic areas along the borders with Thailand, China, India and Bangladesh have been plagued by internal armed conflict, with Government forces fighting a wide array of groups including communist insurgents, ethnic armies and narcotics militias. Myanmar moved from being one of the leading regional economies in the 1960s to having the lowest GDP per capita in Southeast Asia by 2010. More recent growth of 4-5% per annum has been mainly driven by the extractive industries and favoured investors close to the regime.

Under the new civilian Government that came to power in March 2011, Myanmar has embarked on an ambitious and comprehensive reform agenda. This seeks to transform the country by securing peace, entrenching democracy and reviving a stagnant economy. The new Government moved quickly to address long-standing conflicts and has signed deals with most of the major armed groups. Rapprochement has also been sought with Daw Aung San Suu Kyi, the chairperson of the National League for Democracy (NLD), who had previously been under long-term house arrest. Her release was followed by elections to the lower house of Parliament that saw the NLD win 43 out of the 45 available seats. Most political prisoners have now been released, a National Human Rights Commission has been set up, and significant progress has been made in areas such as freedom of assembly, association and expression, forced labour, and child soldiers. In the economic sphere, the national currency has been floated and parallel exchange rates removed. The Government has also begun to dismantle state monopolies, ending the near-stranglehold that the Union of Myanmar Economic Holdings Limited - a military holding company - had had on the fuel, vehicle, cigarette and beer markets.

These wide ranging reforms have undoubtedly improved the distribution of political and economic power, but more work remains to be done to lock the country into a path of equitable and inclusive growth. The current key priorities for the Government include (1) ensuring lasting peace in ethnic areas, (2) improving state-society relations and (3) maintaining a trajectory of economic growth that is both sustainable and pro-poor. For the first, existing ceasefire agreements need to be succeeded by political processes that address long-standing grievances, offer greater self-determination and provide an equitable allocation of natural resources. For the second, a new relationship between government and citizens needs to be institutionalised that entrenches responsiveness and accountability. For the third, a number of constraints need to be addressed including the legacy of decades of rent-seeking over production, poor health and education systems, a chronic lack of investment in infrastructure and technology, and international isolation.

The national development strategy is constituted by the Framework for Economic and Social Reforms (FESR) which runs from 2012 to 2015. This serves as a precursor to the 20-year National Comprehensive Development Plan that is currently under development and will subsequently be implemented by a series of five year plans. The FESR sets out priorities and sequencing along with outlines of sector plans and a number of quick wins. Priorities include peace building, the achievement of the MDGs, pro-poor growth and an equitable sharing of resources, LDC graduation, moving towards a stable and market-driven economy, promotion of FDI, and economic integration with ASEAN. Emphasis has been placed on strengthening good governance and transparency along with moving from top-down to bottom-up planning and promoting people-centred development. The FESR also highlights Myanmar's intentions to exploit a late-comer's advantage, building on lessons learned from other transitional countries' transitions and ensuring national ownership of aid. Most immediate priorities/deliverables include actions on governance, health, education, rural development, infrastructure, trade and private sector development. For the first time in recent history Government policy is therefore centred on sustainable pro-poor development and may be considered to serve as a sound basis for European Union and Member States' support to the country.

3. Lessons Learned from Previous Cooperation

Up until 2011, the majority of aid to Myanmar was provided outside of Government structures and systems with development partners working on a relatively ad-hoc basis. Communication and coordination between agencies was limited with no single coordination structure grouping development partners together, no system of sector working groups, and no catch-all aid information management system. However, a series of multi-donor trust funds functioned well and were used by the majority of development partners. These continue to provide a valuable vehicle for aid coordination in the country today.

The reforms that began in 2011 along with the accompanying suspension of sanctions led many existing development partners to boost their aid while new development partners began to enter the country, creating a proliferation of projects, programmes and studies accompanied by a sharp increase in the number of missions. This has invoked considerable transaction costs on a Government that was already facing substantial capacity challenges, as well as on development partners. Officials in the civil service have very little experience of managing development partners and aid flows while development partners operating in the country have not been accustomed to receiving guidance from Government. Both sides have realised the importance of tackling these issues and learning from the experiences of other countries.

In January 2013, the Government convened the first Myanmar Development Cooperation Forum. This brought together a wide range of senior officials from both traditional and emerging development partners to discuss the reform process with Government officials and how it could be best supported. The Forum concluded with agreement on the Nay Pyi Taw Accord for Effective Development Cooperation that sets out how Government and development partners will work together to support the country, building on experiences and lessons learned from elsewhere. European Union development partners put forward a Joint Response at the Forum with specific commitments on how the EU and Member States will seek to support the implementation of the Accord.

During 2013, substantial efforts have been made by Government and development partners to put the principles of the Accord into practice. Highlights include:

- The establishment of sixteen Sector Working Groups (SWG) to provide advice and line up external support behind nationally-owned strategies and avoid gaps and overlaps. These are chaired by Line Ministries supported by development partner co-leads.

- The creation of a Development Partners Group that brings together all development partner Heads of Agency. A Working Committee of the eight main development partners in the country (including the EU and the UK) heads this and meets regularly with Government to ensure overall coordination and to take forward policy dialogue.

- The development of an Aid Information Management System.

An Aid Policy and accompanying management procedures are also under preparation. Development partners now need to invest in these new structures and systems to ensure that they gain legitimacy and momentum and are fully inclusive, especially as regards emerging development partners. The EU is working to support this process through the provision of dedicated technical assistance to Government and development partners.

4. The EU Approach

The Treaty of Lisbon established the reduction and eradication of poverty as the primary objective of the European Union's development cooperation policy and has anchored development policy within EU external action. The European Consensus on Development[1] recognises that developing countries are mainly responsible for their own development based on national strategies to which EU aid should be aligned. The Consensus furthermore sets out a specifically European set of values that should underpin development work, namely respect for human rights, democracy, fundamental freedoms and the rule of law, good governance, gender equality, solidarity, and social justice.

The 2012 EU Agenda for Change,[2] endorsed by Member States, sets out EU development policy and reinforces these messages, emphasising the EU as a key partner, coordinator, convener and policy maker. It notes that to be fully effective the EU and its Member States must speak and act as one to achieve better results and to improve EU's visibility. The two pillars of the Agenda for Change argue for a concentration of support towards inclusive and sustainable growth and towards human rights, democracy and good governance. It notes the need to use aid as effectively as possible, particularly by formulating joint strategies and establishing division of labour between development partners. The latter concept is expanded upon in the EU Code of Conduct on Division of Labour[3] which recommends that each European Union development partner focuses their support on a limited number of sectors in order to increase impact. Accordingly, the EU will focus its bilateral cooperation activities on four focal sectors, while other sectors may be supported through its regional and thematic instruments.

These global commitments have been translated to the present-day context of Myanmar by the Foreign Affairs Council of the European Union which adopted the 'Comprehensive Framework for the European Union's policy and support to Myanmar/Burma' in July 2013[4].

[1] http://ec.europa.eu/development/icenter/repository/european_consensus_2005_en.pdf
[2] http://ec.europa.eu/europeaid/what/development-policies/documents/agenda_for_change_en.pdf
[3] http://europa.eu/legislation_summaries/development/general_development_framework/r13003_en.htm
[4] http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/138272.pdf

This prioritises support to peace, democracy, social and economic development and trade, thereby also reflecting the goals of the FESR.

The Comprehensive Framework has been used as the basis for the present Strategy which focuses European Union support on six main areas:

Peace Building

Governance

Rural development

Health

Education

Trade and Private Sector Development

This will be accompanied by work on the important cross-cutting issues of civil society, gender, environment and human rights. The latter in particular is an issue of fundamental concern to European Union development partners. These cross-cutting issues also receive substantial funding from EU Development partners. Also key will be to help ensure an equitable distribution of the benefits of Myanmar's future development, including for example in the area of natural resources management.

A division of labour between the EU development partners along with indicative financial allocations to each sector are set out below. Each European Union development partner endeavours to specialise in their area of comparative advantage, taking into account the existing activities and capacities of other development partners and in support of national policies and strategies. These commitments have notably resulted in enhanced division of labour in the social sectors; for instance the EU is proposing to focus its support onto the Education sector, due to the strong presence of some Member States in Health.

At a local level these development partner principles have been taken forward through the Joint EU Response to the Nay Pyi Taw Accord, presented at the Myanmar Development Cooperation Forum in January 2013 and which sets out EU and Member State commitments. This was followed by an agreement of EU Heads of Mission in Myanmar to pursue Joint Programming and to adopt a Joint EU Strategy for Myanmar.

5. EU Focal Areas and Financing

Briefs on the six focal areas are provided below along with the broad lines that European Union support will take and the indicative financial allocations for each.

Peace Building

The ultimate success and sustainability of Myanmar's transition towards democracy will be highly dependent on the evolution of the situation in the ethnic states. As stated in the FESR and made clear in various speeches by President U Thein Sein, ethnic peace is recognised as a high priority by Government. A comprehensive peace effort is well underway and aims for a permanent settlement that will fully integrate ethnic groups into the political system in line with the 2008 Constitution. Substantial progress has already been made in Mon, Kayin and Kayah states but in other areas the situation remains volatile and has recently deteriorated in the areas of Kachin and Rakhine. In addition, inter-communal violence has recently flared

between Buddhist and Muslim communities. A further escalation of such violence could have a highly disruptive effect on the country's transition towards peace, reconciliation and development.

The President has established a Union Peace Making Central Committee and Working Committee to take forward peace negotiations. The Myanmar Peace Centre – established with EU support – provides a platform for peace building activities and a focal point for interaction with the international community and civil society organisations. It also serves as the secretariat for the afore-mentioned Committees.

The Myanmar Peace Support Initiative (MPSI), set up in January 2012 seeks to provide immediate support in areas where ceasefires have been agreed. MPSI is currently engaged in the development of pilot projects in Chin, Karen, Mon, Rakhine and Shan States that aim to build trust and stimulate dialogue in support of ceasefires as a precursor to providing development aid. The latter will be key in order to lock in peace and should encompass providing communities with access to health and education services along with income generating opportunities.

We encourage the immediate end of hostilities across the country, including in Kachin State, and support the early launch of inclusive political negotiations aimed at lasting peace settlements. We believe that negotiations should involve all stakeholders, including Government, political parties, non-state actors, and local community organisations, providing them with capacity building support where necessary. We also believe that the police force needs to be further reformed to provide a fully accountable and responsive service that can build trust among all communities and is able to respond effectively to future instances of public insecurity.

European Union and Member States' work on peace building will include support to on-going peace and reconciliation processes, including testing new approaches and capacity building, and tackling unexploded ordinance (UXOs). This area will be supported by Denmark, the EU, Finland, Germany, Ireland, the Netherlands, Sweden and the UK. The indicative annual financial contributions of European Union development partners are as follows:

- Denmark: € 2,000,000 / year.
- EU: €12,000,000 to €20,000,000 / year.
- Finland: €1,000,000 / year.
- France: €1,300,000 / year
- Germany: to be confirmed
- Ireland: € 100,000 / year.
- Netherlands: to be confirmed.
- Sweden: €2,500,000 / year.
- UK: €3,000,000 / year.

Governance

The recent rapprochement between the Government, led by President U Thein Sein, and the National League for Democracy (NLD), led by Daw Aung San Suu Kyi, has been remarkable. The previous regime had refused to recognise the parliamentary majority won by the NLD in the 1990 general elections and declared the party illegal in 2010. In December 2011 however, the NLD was able to successfully register with the Union Election Commission and subsequently won 43 out of 44 contested seats in the 2012 by-elections. The Government's recognition of the result significantly boosted local and international confidence in their commitment to political reform. These positive steps have been accompanied by the emergence of a vigorous Parliament that engages in dynamic debates and subjects Ministers to robust scrutiny.

Good governance, accountability and transparency feature strongly in the FESR and have made regular appearances in speeches by the President. The Government has prioritised streamlining existing institutions and creating new ones where necessary, promoting the rule of law, enhancing citizen participation, tackling corruption, introducing results-based management, creating a culture of meritocracy, and improving public access to information. An overall strategy for public administration reform is currently under development.

While there is strong political will to take these reforms forward, it is clear that ingrained management styles, attitudes and behaviours will not change overnight. Nevertheless, a new political environment is already in evidence that expects and rewards reform, there is increasing legislative and media scrutiny of Government and overall an increasing willingness of the population to air their grievances can be observed. Together these trends are highly likely to increase the pressure for further positive change in future.

European Union and Member States' work on governance will include the promotion of democratisation, support to Parliament, the Union Election Commission and the 2015 elections, actions to entrench the rule of law and establish a professional judiciary, initiatives to strengthen transparency and accountability, capacity building support to civil servants, improvement of public finance management and statistical capacity, reinforcement of the media, support to the national census, technical assistance to assist with aid and development partner management, and support for Myanmar's ASEAN chairmanship. This area will be supported by the Czech Republic, Denmark, the EU, Finland, France, Germany, Hungary, Ireland, Italy, the Netherlands (focusing on capacity building in the water sector), Sweden, and the UK. The indicative annual financial contributions of European Union development partners are as follows:

- Czech Republic: €150,000 / year.
- Denmark: €4,500,000 / year.
- EU: €8,000,000 to €12,000,000 / year.
- Finland: €2,000,000 / year (to be confirmed).
- France: €270,000 / year
- Germany: to be confirmed
- Hungary: to be confirmed
- Ireland: € 50,000 / year.

- Italy: € 930,000 / 2014
- Netherlands: to be confirmed.
- Sweden: €3,500,000 / year.
- UK: €7,750,000 / year.

Rural Development

Agriculture remains dominant in Myanmar's economy, accounting for 40% of GDP and providing employment for over 60% of the labour force. Most farmers are smallholders who combine a mix of crops, livestock, fishery and off-farm income-generating activities in order to diversify risk. The food crop sub-sector represents 80% of agricultural production with rice, pulses and beans as the main outputs and export commodities. Productive potential is not currently fully utilised with the result that yields remain below average and inferior to their historical highs.

The livestock sub-sector is characterised by small-scale production at the household level and plays an important role in supplementing incomes and improving nutrition. Aquaculture and inland fisheries have grown rapidly in recent years with medium to large production units emerging that offer significant employment potential. Small-scale fishery production however remains obstructed by an opaque administrative system of fishing rights and licenses. For marine fisheries, over-exploitation is perceived as a risk although no recent reliable estimate of resources and sustainable yields is currently available.

Overall, agricultural productivity has suffered from a lack of basic infrastructure to connect rural areas to population centres meaning that transport and marketing costs have remained high. The lack of financial services has further hampered growth with only an estimated 10% of financing needs currently met by existing institutions. Research and extension services are also largely absent, leading to poor input quality and sub-standard management practices.

The Government has however prioritised rural development in its reform agenda and is currently development a Rural Development Strategy which we will seek to align to.

European Union and Member States' work on rural development will be supported by Denmark, the EU, France (incl. AFD), Germany, Ireland, Italy, the Netherlands and the UK. Work will include support to livelihoods and food security, tackling hunger and promoting good nutrition, supporting employment and income generating activities, enhancing agricultural productivity, promoting access to financial services for the poor, and activities to support integrated water resources management and irrigation. The indicative annual financial contributions of European Union development partners are as follows:

- Denmark: € 4,500,000 / year.
- EU: €30,000,000 to €38,000,000 / year.
- France: €4,000,000 / year
- Germany: to be confirmed
- Ireland: €100,000 / year.
- Italy: € 23,500,000 / 2014-2016.

- Netherlands: to be confirmed.
- UK: €15,500,000 / year.

Health

Myanmar's health system faces many challenges in service delivery including inadequate funding, weak planning and management, a shortage of human resources, high turnover of health staff in rural areas, poor health infrastructure, and a lack of essential drugs and supplies.

The leading causes of death and illness in the country are tuberculosis, malaria and HIV/AIDS. Tuberculosis prevalence is at 525/100,000 while estimates of the number of malaria cases range from 4.2 to 8.6 million a year with 76% of the population living in malaria-endemic areas[5]. There is a concentrated HIV epidemic among most-at-risk groups. The maternal mortality rate is estimated to be 240/100,000 live births[6] and the under-five mortality rate to be 71/1,000 live births[7], meaning that at least 2,400 pregnant women and 70,000 children die every year from largely preventable causes. The proportion of children with moderate or severe stunting is 48% while 28%[8] are moderately or severely underweight.

The Myanmar National Health Plan prioritises increasing the availability of essential services for the most vulnerable groups (mothers, babies and children) and preventing and treating communicable diseases such as tuberculosis, malaria and HIV/AIDS.

European Union and Member States' work on health will be supported by the Czech Republic, Denmark, the EU, France, Germany, Italy, the Netherlands, Sweden and the UK. Work will include support to interventions on basic health, training of medical professionals, capacity building for institutions and activities targeting sexual and reproductive rights and sanitation. The indicative annual financial contributions of European Union development partners are as follows:

- Czech Republic: €120,000 / year.
- Denmark: €2,600,000 / year until 2016.
- France: €2,800,000 / year.
- Germany: to be confirmed
- Italy: to be confirmed.
- Netherlands: €2,300,000 / year..
- Sweden: €6,500,000 / year.
- UK: €25,000,000 / year.

[5] M&E Reference Group. Roll Back Malaria. 2009
[6] Trends in maternal mortality, 1990-2008, H4
[7] UNICEF, 2010. Levels and trends in child mortality. Estimates developed by the UN inter-agency group for mortality estimates
[8] MICS, 2009-2010

Education

As with health, Myanmar's education sector has suffered from years of insufficient public expenditure. The Primary Completion Rate[9] was estimated by the Government to be 75.1% in 2008/09[10] but the 2010 Multiple Indicator Cluster Survey indicated that it could in fact be as low as 54.2%. There is a significant dropout problem with around 900,000 primary aged children out of school as well as high repetition rates and large numbers of over-age entrants into primary school. The quality of teaching also needs substantial improvement. Estimates of the secondary Net Enrolment Rate indicate that access to education also remains constrained at this level. Public universities have generally been neglected during recent decades and facilities are often run-down. There has however been progress in enrolment and the achievement of gender parity and education is high on Myanmar's reform agenda.

European Union and Member States' work on education will be supported by the Czech Republic, Denmark, the EU, France, Germany, Hungary, the Netherlands and the UK. Work will include support to the Comprehensive Education Sector Review, promoting access to primary education, supporting basic education facilities and teachers, building the capacity of complementary education systems, university partnering and the provision of scholarships for study in Europe. The indicative annual financial contributions of European Union development partners are as follows:

- Czech Republic: €40,000 / year
- Denmark: €2,600,000 / year
- EU: €30,000,000 to €38,000,000 / year
- Finland: to be confirmed
- France: €350,000
- Germany: to be confirmed
- Hungary: €250,000 / year
- Netherlands: to be confirmed
- UK: €2,000,000 / year

Trade and Private Sector Development

Myanmar's current economic growth remains narrow-based with the country largely dependent on energy and agriculture. Extractive industries predominate including oil, gas, mining and timber. Manufacturing, tourism and services have seen mediocre growth, largely due to Western sanctions, inadequate infrastructure and technology, distorting trade policies, and a lack of skilled labour. Recent positive developments in terms of political and economic reform, followed by a suspension of EU sanctions, are however providing a more favourable environment for trade and investment in the country. Trade between the EU and Myanmar has been further enhanced by the June 2013 reinstatement of the Generalised System of

[9] I.e. for those completing Grade 5, or at least taking the end of year examination.

[10] Ministry of Education, Myanmar.

Preferences under the Everything But Arms initiative, offering duty-free access to the EU market.

The "Agenda for Change" commits to greater support to partner countries to enhance the business environment, to promote regional integration and to help harness the opportunities that world markets offer, as a driver for inclusive growth and sustainable development. Support in this area will be provided in line with the EU Aid for Trade (AfT) Strategy and will be designed to help Myanmar integrate into the rules-based world trading system and to use trade more effectively in promoting the overarching objective of eradicating poverty.

European Union and Member States' work on trade and private sector development will be supported by Denmark, the EU (through its regional instruments), France, Germany, Italy, Luxembourg, the Netherlands and the UK. Work will include the promotion of responsible investment, support to the financial services, seafood, textile and tourism sectors, support to SMEs and pro-poor business, Public-Private Partnerships, labour rights and vocational training. The indicative annual financial contributions of European Union development partners are as follows:

- Denmark: €2,500,000 / year.
- EU: €1,000,000 / year.
- France: €2,000,000 / year
- Germany: to be confirmed
- Italy: €1,800,000 / 2014
- Luxembourg: €1,000,000 / year.
- Netherlands: €2,000,000 / year.
- UK: €3,800,000 / year.

In addition to the support that will be provided through development cooperation resources, the European Union and Member States will continue to pursue:

– A more transparent investment environment that can reduce the risk of corruption and tax avoidance by improving transparency throughout the supply chain. This will include support to initiatives such as the Extractive Industries Transparency Initiative (EITI), the Forest Law Enforcement, Governance and Trade (FLEGT) and the Timber Regulation.

– The realization of a greater FDI potential through the negotiation of a Bilateral Investment Treaty (BIT).

6. EU Actions on Cross-Cutting Issues

We will work together to provide support on the key cross-cutting issues of human rights, civil society, gender and environment. We have agreed a Human Rights Country Strategy for Myanmar and a Gender Action Plan, while a Roadmap for Engagement with Civil Society is currently under development. Such issues are fundamental to the European Union approach to development and are key drivers for Myanmar’s development.

By definition, support for cross-cutting issues is often embedded in larger programmes, for example in the case of gender mainstreaming. In these cases, the exact support provided by each European Union development partner to each issue can be difficult to extract from the larger programme. Below therefore, only stand-alone and programmable support initiatives to cross-cutting issues and their financing are detailed. The total support provided by European Union development partners to each issue is naturally much larger.

We believe that strengthening human rights will be key to securing a successful reform process in Myanmar. This should encompass political, civil, social, economic and cultural rights as well as support to minorities. We believe that the Government should follow-up on its commitments to facilitate the opening of an OHCHR country office and that the national Human Rights Commission should be granted the status, mandate and means to perform its duties effectively and independently in accordance with the Paris Principles. European Union work on human rights will be supported by the Czech Republic, the EU (through its thematic instruments), the Netherlands, Sweden and the UK. Work will include the establishment of an EU-Myanmar Human Rights Dialogue to promote constructive and open discussions on issues of mutual interest and concern, based on the principles of equality and cooperation. This will allow the highlighting of concerns and the exchange of best practices and expertise. Other work will support responsible investment policies and practices that respect human rights. The indicative annual financial contributions of European Union and Member State's development partners for support to **human rights** are as follows:

- Czech Republic: €60,000 / year
- EU: €1,500,000 / year
- France: €200,000 / year
- Italy: € 500,000 / 2014
- Netherlands: € 200,000 / year
- Sweden: €1,500,000 / year
- UK: €700,000 / year

We attach great importance to the involvement of civil society in building the institutions that are necessary for a modern inclusive democracy. Civil society has a critical role to play for the success of Myanmar’s social and political transition as well as for ethnic conflict resolution. European Union and Member States' work with civil society will be supported by the Czech Republic, the EU (through its thematic instruments), France, Ireland, the Netherlands, Poland, Sweden and the UK. Work will include promoting the establishment of an enabling environment and the protection of civil society’s rights, facilitating engagement with Government, exposing local organisations to international best practice, ensuring their involvement in our own planning processes, and channelling part of our support to the country through them. The indicative annual financial contributions of European Union and Member States' development partners in support to **Civil Society** are as follows:

- Czech Republic: €310,000 / year.
- EU: €5,000,000 / year
- Finland: to be confirmed
- France: €2,300,000 / year

- Ireland: €100,000 / year.
- Netherlands: to be confirmed.
- Poland: to be confirmed.
- Sweden: €5,000,000 / year.
- UK: €3,000,000 / year.

European Union and Member States' work on environment will focus on sustainable management and access to environmental resources as well as mitigation of the effect of climate changes. This will be funded by dedicated thematic instruments and mainstreamed in relevant EU cooperation activities, i.e. rural development, trade and private sector, governance. Particular attention will be dedicated to assessing the environmental impact of our cooperation activities. The indicative annual financial contribution of the EU towards **environment** is as follows:

- EU: €1,000,000 / year
- Finland: to be confirmed
- France: €5,300,000 / year

Finally, European Union development partners will work on cultural cooperation. This will include both cultural heritage activities, those more directly linked to development and the promotion of European culture. European Union work on culture will be supported by Italy and France. The indicative annual financial contributions of European Union development partners towards **cultural cooperation** are as follows:

- France: €300,000 / year.
- Italy: €1,000,000 / 2014

7. Risk Assessment

The above-mentioned Political Economy Analysis identified a number of risks to the reform process going forward. These are summarised in the following matrix:

Risk	Probability	Impact
Continuation or resumption of serious armed conflict	High (in Kachin) Medium (elsewhere)	Medium High
Further outbreaks of serious inter-communal violence	High (in Rakhine) Medium-Low (elsewhere)	Medium-High High

Reform progress vs. expectations gap leading to public protest and instability	Medium	Medium-High
Economic shocks negatively impacting on livelihoods (e.g. high exchange rate / inflation)	Medium	Medium-High
Rise in equality that further entrenches the elite	Medium	Medium-High
Rise in social tensions leading to state-society conflict (e.g. radicalisation of social or labour movements)	Medium	Medium
Political tensions around 2015 elections that undermine a smooth transition	Medium-Low	High
Declining rural livelihoods catalysing urbanisation and social dislocation	Medium-Low	Medium-High

It is to be expected that the successful implementation of the present Strategy will help to mitigate against these risks. Nevertheless, along with other development partners, European Union development partners will continue to monitor the situation on the ground and be prepared to take additional actions where necessary.

8. Monitoring & Evaluation

The FESR includes a commitment to establish a dedicated monitoring committee within the Ministry of National Planning and Economic Development. Respecting the principles of ownership and alignment, European Union development partners support the prompt establishment of the monitoring committee and will look to this body to provide monitoring and evaluation data, given that the present Strategy is designed to support the implementation of national reform plans. Reference will also be made to the monitoring of the Action Plan of

the Nay Pyi Taw Accord for Effective Development Cooperation, given its coverage of an extensive range of reform and development effectiveness indicators and its endorsement by Government and all development partners. In this way we will not seek to create a parallel track of European Union monitoring and evaluation but rather to reinforce the legitimacy of national processes. Supplementary information may however be obtained from relevant international processes such as:

Millennium Development Goals

Human Development Index

GNI per capita

Tax to GDP ratio

Gini Index

Poverty rate

Life expectancy

Public Expenditure and Financial Accountability (PEFA) assessments

The World Bank's Country Policy and Institutional Assessment (CPIA)

The World Bank's "Doing Business" report

Transparency International's Corruption Perception Index (CPI)

Relevant aid effectiveness indicators, drawn from the monitoring framework of the Global Partnership for Effective Development Cooperation

Finally, each European Union development partner may also pursue discreet monitoring and evaluation activities for their individual project and programme portfolios, as set out in their respective bilateral implementation plans.