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1 Introduction

This document outlines Australia's proposed strategy for its aid program in Burma. This strategy will be subject to further consultation with key stakeholders across Australia and internationally. These consultations will include Australian and international non-government organisations, multilateral and regional organisations, other donors, and key advocates in Burma. A final strategy will be released by June 2011.

Australia's strategic approach to aid in Burma

The recommended goal for Australia's aid program to Burma is:

- to improve the lives of the Burmese people in the short term and help support improved capacity to design and deliver essential services and encourage reform in the long term.

To help achieve this goal Australia will:

1. expand on activities that target immediate needs in health, education and livelihoods and food security, focusing on vulnerable populations across Burma and on the border with Thailand and Bangladesh
2. support the building blocks of reform by strengthening the capacity of people and organisations in the health, education, and livelihoods and food security sectors.

Our focus will be on continuing with successful programs and incorporating measures to support long-term reform. This involves building on models of delivery that have achieved results in sectors of continued great need—health, education and livelihoods and food security sectors. It also involves identifying a role for Australian aid in building the capacity of Burmese people and organisations, to better plan and deliver essential services. Through work with international NGOs we will continue to help local community organisations strengthen their role in service delivery.

A number of key principles will guide Australia's assistance in Burma. We will:

- continue to deliver assistance primarily through organisations that are independent of the Burmese Government, including United Nations (UN) agencies, regional organisations and international NGOs
- design our support in ways that do not strengthen the existing political regime and that deliver clear benefits for ordinary people
- continue to ensure individual Burmese who participate in the aid program are vetted and Australian Government sanctions are applied
- ensure that Australian-funded aid activities are based on sound evidence and analysis, results, value for money, consultation with key stakeholders and are all closely monitored.

We expect change in Burma to be incremental. Our efforts will reflect our concern not to support the Burmese regime. They will be cautious and our expectations modest. We recognise that there will be challenges and setbacks. We will need patience and flexibility if we are to see results. We will keep our approach under constant review to ensure its effectiveness and appropriateness to any adverse developments.

2 Critical issues in Burma

2.1 Critical development challenges in Burma

At the time of independence from Britain in 1948, Burma was expected to become one of the most prosperous countries in Asia due to its geographic location, abundant natural resources and comparatively strong human resource base. Today most Burmese are desperately poor. Health and education outcomes are among the worst in the region; governance is poor; human capacity has declined across all sectors of society; and Burma is highly unlikely to meet key Millennium Development Goal (MDG) targets. In contrast to its neighbours Burma continues to slide further into poverty.

Since 1962 the country has been under military rule. The recent election (the first in 20 years) has reinforced the pre-eminent role of the military in governing the country. There are routine abuses of basic human rights and freedoms. Ongoing conflict, forced confiscation of land and violence and discrimination have resulted in significant numbers being internally displaced. This has also have produced large refugee populations in Thailand and Bangladesh.

At the heart of the development challenge in Burma is the sustained lack of political will to provide the right policy settings and essential services for economic development and poverty reduction. This, however, masks a deep decline in human and organisational capacity that would inhibit reforms, even if the government changed its approach. Decades of military rule have eroded civil society and civilian institutions. Skills have been lost, infrastructure has deteriorated and open and effective governance has withered.

Burma has one of the world's lowest levels of public sector expenditure. While reliable data is hard to obtain, public investment in the basic building blocks of human development—health and education—is estimated at just over US\$1 per person each year.¹ This prolonged lack of investment has severely degraded health and education outcomes.

As a result, large numbers of people are dying from easily preventable illness and disease. Pregnancy complications are the leading cause of death for women of childbearing age. One in 12 children die before the age of five years, mostly from pneumonia, diarrhoea and malaria (one of the highest rates in the world outside of Sub-Saharan Africa). The UN estimates that 70 000 children and 2400 pregnant women die annually of largely preventable causes.² There is a public health emergency caused by high rates of HIV/AIDS, malaria and tuberculosis. Health systems are ill-equipped to address these issues.

Poor retention rates highlight the paucity of education. Fewer than half of all children complete more than four years of primary school.³ Dramatic under funding translates into inadequate education infrastructure, low wages for teachers, poor training and a lack of basic equipment. Most schools do not have reliable or clean water and sanitation facilities. Families face a heavy financial burden to send their children to school. The effects of this stagnated education system are a major impediment to prospects for poverty reduction.

¹ Burma does not routinely publish its budget figures. This figure tallies with estimates from a range of other sources including various UN agencies and other donors.

² UN Interagency Group for Child Mortality Estimation 2010.

³ United Nations Children's Fund (UNICEF) 2006.

Food security is also a major issue. More than 30% of the population live in acute poverty (unable to afford basic food and non-food items) and this figure rises to 70% in some rural ethnic areas.⁴ Millions of people are in a highly vulnerable situation with little buffer for external shocks such as food price rises, natural disasters or changes in family circumstances. The agricultural system, which accounts for more than 50% of gross domestic product and supports 70% of the population, is dysfunctional. The majority of rural households cannot access enough land to move beyond day-to-day subsistence living and in urban areas the poor spend close to 70% of their income on food. Under-nutrition is a significant factor in both maternal and child mortality.⁵

Burma is one of the most ethnically diverse countries of the region. Many ethnic groups, particularly in border areas, live in difficult economic and social situations exacerbated by ongoing armed conflict. It is in these areas that some of the worst poverty, human rights abuses and disenfranchisement occur. Incorporating these groups into the political discourse, encouraging development and addressing grievances is vital to a peaceful, prosperous and stable Burma.

Despite its wide-spread and acute development needs, Burma is strikingly 'under-aided'. Its people receive approximately \$8 to \$10 per capita a year in official development assistance, substantially lower than other poor countries in the region such as Cambodia (\$51) and Laos (\$80).⁶

2.2 Australian interests

Burma is the country in South East Asia making the least development progress, Australia is impelled to respond to the dire needs of its people. First and foremost this is a humanitarian response to great need. It is what is required for us to be a good international citizen. Burma's history and the desire of its people for a better life give it a special place in the eyes of the Australian community who expect their government to support such efforts. The development of Burma would make it more peaceful and stable. It would give the country the confidence and ability to look outward and integrate with its neighbours. It would position Burma to resolve its own problems and work cooperatively with Australia and others on international issues, including transnational crime, irregular people movement, infectious diseases management and environmental resource management. Australia benefits from supporting an integrated, prosperous region, characterised by countries that promote the welfare and rights of their citizens.

The growing poverty of Burma's people contrasts with its potential. Burma's poor development progress is at odds with broader regional experience and aspirations. As such it challenges the growth, unity and integration of the Association of Southeast Asian Nations' (ASEAN), while distracting regional countries and organisations from addressing other pressing challenges. It is in Australia's interests and those of the Burmese people to work with ASEAN and other regional bodies to encourage policies in Burma that will bring it more into line with regional norms of governance and economic development. This, in turn, will allow regional organisations to concentrate on achieving their ambitious development goals.

2.3 Donor engagement on the development challenges

In response to a continuous poor human rights record and a denial of real democracy, few Organisation for Economic Co-operation and Development (OECD) donors have maintained significant development programs in Burma. The donors that have mostly operate under restricted mandates. These mandates are designed to reflect international opprobrium at the Burmese authorities while providing limited

⁴ United Nations Development Programme (UNDP) and Government of Burma 'Independent Household Living Conditions Assessment 2007'.

⁵ AusAID Concept Paper: AusAID Initiative to improve Maternal, Newborn and Child Health, 2010.

⁶ World Bank 2008.

humanitarian support (targeting immediate needs in health, livelihoods and food security, education and protection). The Burmese authorities also tightly manage and restrict the geographic and sectoral focus of aid activities. Consequently aid agencies find it difficult to reach vulnerable communities near conflict zones on Burma's borders and are routinely subject to delays in travel permits for international staff seeking to monitor and report on aid activities.

Major OECD donors include Australia, the European Union, Japan, the United Kingdom and the United States. Smaller, specialised programs are also maintained by Denmark, Norway and Sweden while other countries have programs restricted to operating with displaced Burmese in neighbouring countries. China, India and the Republic of Korea are increasingly important donors working directly with the Burmese regime, especially on large-scale infrastructure.⁷

Key development institutions are absent from Burma while others operate under self-imposed restricted mandates which greatly limits the availability of experienced partners, technical expertise and overall levels of aid funding. The World Bank, Asian Development Bank and International Monetary Fund do not engage directly in Burma. Sixteen United Nations agencies are active in Burma through some, such as the UNDP, operate under mandates restricting their focus and level of engagement with the central government authorities.

Australia is one of the largest donors in Burma and delivers its assistance primarily through UN agencies, regional institutions and international non-government organisations. Our assistance does not flow through Burmese government systems. This reflects our mistrust of government priorities. It is also consistent with the way most international aid to Burma is provided.⁸ Australia cooperates closely with like-minded donors, such as the United Kingdom and the European Union, to extend our reach and share information and resources. While any aid activities need the approval of the Burmese authorities, the delivery methods outlined in this statement help to ensure that aid has not lined the pockets of the regime, nor been channelled to inappropriate regime priorities. Australia's primary focus on meeting immediate and acute needs has saved lives and benefited households across the country. However our focus on acute needs has meant the contribution of our aid program to long-term change has been limited.

Australia's approach—limited engagement, avoiding Burmese government delivery systems and focusing on immediate needs—has achieved some success. Major epidemics in HIV/AIDS, malaria and tuberculosis have been contained.⁹ Relief and recovery programs for the victims of natural disasters such as Cyclone Nargis have been effectively implemented and saved many lives.¹⁰ School attendance rates have been improved through the provision of safe water, sanitation facilities and education materials. Marginalised and landless Rohingya ethnic communities in northern Rakhine State have been helped through the establishment of community forestry plots and the provision of small-scale loans targeting some of the poorest and most marginalised women in Burma. Australia has assisted the UN World Food Programme to provide critical food aid to more than 1.2 million vulnerable people in exchange for work on community infrastructure projects, such as the construction of jetties.

This assistance has all been delivered through working closely with reliable implementing partners. Australian NGOs working with vulnerable communities throughout Burma have helped deliver much-needed services outside of the public sector and provided essential support to local community-based organisations and civil society.

⁷China provides substantial support to Burma through partial debt relief, concessional loans and technical assistance, with a strong emphasis on economic cooperation and infrastructure.

⁸ Japan, the Republic of Korea and China manage bilateral programs that operate at a government-to-government level.

⁹ Through the multi-donor Three Diseases Fund managed by the UN, Australia has supported the distribution of 22 million condoms and 2.8 million clean needles to prevent HIV infection. A total of 850 000 people have been treated for malaria and anti-retro-viral treatment has been provided to almost 10 000 people living with HIV.

¹⁰Australia's \$65 million response to Cyclone Nargis included the provision of hundreds of thousands of temporary shelters, blankets and mosquito nets as well as water storage pots and safe, child-friendly spaces for mothers and children.

There has also been some limited success with areas of the state involved in delivering essential services. The Ministry of Health has, with the assistance of donors and the UN, developed and implemented national programs of response to HIV/AIDS, tuberculosis and malaria. This cooperation has, in turn, influenced the return to Burma of the Global Fund on HIV/AIDS, Tuberculosis and Malaria in 2011. The Ministry of Education has also shown a willingness to include child-centred approaches in its teacher training, influenced particularly by the work of UNICEF, through the Multi-Donor Education Fund.

2.4 Opportunities for donor coordination, harmonisation and alignment

Given the absence of most government-led consultative process on development priorities, close coordination with other donors and implementing partners has an increased importance in Burma. Currently donors work effectively together through the management of multi-donor funds targeting health, education and livelihoods and food security. They also regularly consult to discuss aid effectiveness and programming and policy issues. Multi-donor funds have consolidated available funding to enable health and livelihood programs to be delivered country-wide, using the broad networks and experience of UN agencies and NGOs. Donors also meet regularly with UN agencies and international NGOs to capture valuable on-the-ground information and operating knowledge, which is used to improve program effectiveness.

Close cooperation among donors in multi-donor funds has produced good results in a difficult operating environment. Australia has played a strong role in this success. The international Three Diseases Fund focusing on HIV/AIDS, tuberculosis and malaria has helped to arrest the spread of these three diseases in Burma. The success of the fund model has encouraged the return of the Global Fund on HIV/AIDS, Tuberculosis and Malaria to Burma from 2011. The extra funding, technical and administrative capacity of the Global Fund will provide space for donors to focus more explicitly on other important issues such as maternal and child health. Over the course of 2011 and 2012 donors will build on their strong cooperation in the health sector to establish a multi-donor fund for maternal and child health. In doing so, they will work closely with the Global Fund to ensure activities are complementary. Australia has also been active in the design and establishment of the multi-donor Livelihoods and Food Security Trust Fund which will implement a large proportion of donor activity in the livelihoods sector.

Australia will continue to look for ways to coordinate and encourage joint information collection and analysis among donors and implementing partners. Greater collaboration with like-minded donor partners, such as the European Union, the United Kingdom and the United States, and sharing of resources will build our effectiveness and maximise our impact. We will consult regularly with international NGOs working inside Burma and with Burmese refugees on the borders.

There is an opportunity to improve coordination with key UN and NGO partners. We will explore the option of negotiating multi-year agreements to deliver agreed activities that align with our objectives and sectoral priorities.

3 Strategic priorities for the Australian aid program in Burma

3.1 Recommendations for the strategic focus of Australia's aid program

Australia's policy towards Burma is one of limited engagement with the Burmese Government while assisting its people to meet their immediate needs. This approach recognises our fundamental disagreements with the Burmese regime over their policies and priorities and their treatment of their people. Our policy of targeted financial sanctions, travel restrictions and a ban on defence exports will be combined with an aid program designed to address the critical needs of the Burmese people and help them build for the future. Australia regularly presses the regime on human rights and democracy and seeks the views of key democracy advocates such as Aung San Suu Kyi.

The recommended strategic focus of Australia's aid program to Burma will be on continuing with successful programs while incorporating measures to support long-term reform. This involves building on models of delivery that have achieved results in sectors of continued great need—health, education and livelihood and food security. It also involves identifying a role for Australian aid in building the capacity of Burmese people and organisations, to better plan and deliver essential services. By doing this we will build more sustainability and long-term impact into our aid program and position ourselves to support the prospects for long-term change.

The recommended goal for Australia's aid program to Burma is:

- to improve the lives of the Burmese people in the short term and help support improved capacity to design and deliver essential services and encourage reform in the long term.

To help achieve this goal Australia will:

1. expand on activities that target immediate needs in health, education and livelihoods and food security, focusing on vulnerable populations across Burma and on the border with Thailand and Bangladesh
2. support the building blocks of reform by strengthening the capacity of people and organisations in the health, education, and livelihoods and food security sectors.

Australia has recognised for many years that limited engagement with the Burmese authorities to better address regional issues can serve important national, regional and international interests. Through regular discussions in Burma and through regional forums like the East Asian Summit, the ASEAN Regional Forum and the Bali Process on People Smuggling, Human Trafficking and Transnational Crime, Australia has continually engaged Burma on challenges like governance and human rights, counter-narcotics, trafficking in people, disaster relief and pandemic disease. This engagement also exposes Burmese nationals to different ways of operating, builds regional networks and brings new ideas into Burma. This cautious approach through regional bodies and multilateral organisations will be continued. The logic of this approach will be extended to dialogue and capacity building for the direct delivery of essential services.

3.2 Proposed approaches and ways of working

Over a number of years donors and partners have developed systems of delivery that work well in the Burmese environment. By working through multilateral and regional organisations and international NGOs we have avoided the more capricious elements of the Burmese regime and ensured aid reaches those who need it the most. Existing multi-donor funds in education, health and livelihoods managed by a consortia of donors, implemented by the UN and using a broad range of implementing partners have reached large numbers of people across much of Burma.¹¹

Australia will continue with this approach, working through independent partners and using multi-donor funds and individual activities. We will seek to build formal partnerships with UN organisations and NGOs to help us design and implement the capacity building elements of our aid program.¹²

A number of key principles will guide Australia's assistance in Burma. We will:

- continue to deliver assistance primarily through organisations that are independent of the Burmese Government, including United Nations (UN) agencies, regional organisations and international NGOs
- design our support in ways that do not strengthen the existing political regime and that deliver clear benefits for ordinary people
- continue to ensure individual Burmese who participate in the aid program are vetted and Australian Government sanctions are applied
- ensure that Australian-funded aid activities are based on sound evidence and analysis, results, value for money, consultation with key stakeholders and are all closely monitored.

Australia will continue successful programs in health, education, livelihoods and protection of vulnerable people. We will seek new opportunities to expand activities that have achieved success at the local level and demonstrate the potential to be replicated nationally. Through work with international NGOs we will continue to support local community organisations strengthen their role in service delivery.

In expanding in these areas Australia will seek to go beyond direct delivery of essential services to assisting in the restoration of the systems needed to deliver them. However, we need to do so cautiously and from a position of considerable knowledge of how decisions in each sector are made, by whom and on what basis. We need to understand better the institutional arrangements for service delivery, including organisational strengths and weaknesses. We need to develop effective means of monitoring our assistance and facilitating community participation.

We expect change in Burma to be incremental. Our efforts will reflect our concern not to support the Burmese regime. They will be cautious and our expectations modest. We recognise that there will be challenges and setbacks. We will need patience and flexibility if we are to see results. We will keep our approach under constant review to ensure its effectiveness and appropriateness to any adverse developments.

It is recommended that the major components of our new program include;

Health

In the health sector, increase our commitment by playing a major role in the design and support of a new multi-donor fund targeting maternal and child health. Through this fund and through our work with NGOs we will seek to improve the delivery of basic health services including through training nurses,

¹¹ The Burmese regime restricts access to vulnerable communities in conflict-affected areas, particularly on the border with Thailand.

¹² Key UN organisations could include UNICEF, United Nations Population Fund, World Food Programme, and World Health Organization. Key NGOs could include the Burnet Institute, CARE Australia, Save the Children Fund, and Act for Peace.

mid-wives, health care staff and administrators as well as providing better community health education and information.

Livelihoods

Continue our important role in the leadership of the Livelihoods and Food Security Trust Fund as the main vehicle for implementing our \$20 million, four-year commitment to this area. We will expand our work with the Australian Centre for International Agricultural Research to build agricultural expertise and help farmers to improve their crop yields. Australia is the largest donor to the World Food Programme in Burma and we will continue to support its highly successful food security programs across the country.

Education

In the education sector continue to support UNICEF in its efforts to train teachers and encourage students to remain at school. We will also investigate activities that encourage student and teacher retention, such as: small-scale infrastructure works in water and sanitation and classroom layout; deworming programs; early childhood development and the provision of educational materials to teachers and administrators. We will continue with Australia Awards, our scholarships program, taking advantage of both short and long-term awards in line with our sectoral priorities and informed by consultations with our partners on the ground.

Regional activities

We will continue our support for regional activities that break down the skills and knowledge gap affecting Burmese people. This will include supporting regional institutions and activities that involve Burmese participation in addressing transboundary issues and that promote regional integration.

Protection of vulnerable people

We recognise the acute needs of displaced Burmese in Thailand and Bangladesh who are unlikely to be able to return to their homes in the near future. We will look for opportunities to increase our support for Burmese refugees in these countries and contribute to a resolution of the factors causing them to flee in the first place (although we must expect results in this area to be modest). This includes working with humanitarian agencies inside Burma such as the United Nations High Commissioner for Refugees and the World Food Programme to strengthen the ability of communities in border areas to absorb internally displaced people and refugees who may return in the future.¹³

¹³ Since 2004, Australia has supported UNHCR's work in Southeastern Burma although we recognise that they are unable to access many populations in most need and closest to the conflict zones.