

# A NEW DAWN FOR EQUITABLE GROWTH IN MYANMAR?

## Making the private sector work for small-scale agriculture

The new wave of political reforms have set Myanmar on a road to unprecedented economic expansion, but, without targeted policy efforts and regulation to even the playing field, the benefits of new investment will filter down to only a few, leaving small-scale farmers – the backbone of the Myanmar economy – unable to benefit from this growth. If Myanmar is to meet its ambitions on equitable growth, political leaders must put new policies and regulation to generate equitable growth at the heart of their democratic reform agenda. These must address power inequalities in the markets, put small-scale farmers at the centre of new agricultural investments, and close loopholes in law and practice that leave the poorest open to land-rights abuses.

## A NEW DAWN FOR EQUITABLE GROWTH IN MYANMAR

Myanmar is hurtling towards unprecedented economic expansion. Real GDP growth is predicted to accelerate to 6.5 per cent in 2013,<sup>1</sup> higher than successful neighbouring economies Vietnam and Thailand,<sup>2</sup> with high hopes that this acceleration will continue to soar. The benefits of this journey could be spectacular: Myanmar currently ranks as the poorest country in South East Asia, and its performance on the Human Development Index sits firmly in the low human development category,<sup>3</sup> but, along with democratic reforms, and action to end human rights abuses, inclusive, equitable and sustainable growth could turn this around by paving the way for the majority of Myanmar people – over a quarter of whom are living below the poverty line<sup>4</sup> – to gain their own place on the economic stage.

Markets left unregulated often fail to invest in the skills of the poorest and the economies that matter for them. Without levelling the playing field, small-scale farmers – the backbone of the Myanmar economy – will be kept poor, powerless and risk being even further marginalized. The pace

of reform and the speed at which Myanmar is re-engaging with the global economy is breathtaking, but how the government chooses to direct this is yet to be seen. Targeted regulation, investment support and policy initiatives that are actively designed to level the playing field and protect the rights of the most marginalized can support small-scale farmers and businesses to grow and prosper. By investing in the right infrastructure and extension services, improving the functioning of markets and supporting institutions that are especially important for the poor, the government can increase the access of smaller players to markets and leverage their capacity to make real economic gains – as well as mobilizing their unique potential for reducing poverty and inequality.

After such a long investment drought, the temptation may be to seize every opportunity as if it were the last. But the pace of change magnifies the risks as well as the opportunities, especially for the poorest. That is why it is crucial to ensure that investment supports sustainable development and delivers broad-based and long term gains in prosperity. This means governments, donors and businesses must act in ways that empower poor people to influence policies and gain access to markets; that respect, uphold and promote basic rights, including land and water rights and gender equality; and that support the establishment of diverse markets that respond to varied rural contexts and needs. Crucially, political leaders must ensure an end to all human-rights abuses and address the underlying causes of ethnic conflicts, which threaten to undermine political and economic progress and stand in the way of long-term social, political and economic gains.

As business leaders gather for the East Asia World Economic Forum in Nay Pyi Taw, decision makers in Myanmar face a choice: the path to growth for all, or the path to growth for the few. In a country with dizzying levels of poverty, where decades of under-investment have left human resources and infrastructure weak and economic opportunities hard to grasp, the stakes are high. But forging a path to equitable sustainable growth through responsible private sector investment could mean the rewards will be even higher.

## THE PRIVATE SECTOR AS AN ENGINE OF GROWTH FOR ALL

Just over two decades ago, Myanmar's neighbour Viet Nam was one of the poorest countries in the world. Yet, over the last few years, Viet Nam has grown at a rate of between 5-7 per cent,<sup>5</sup> and has graduated from extreme poverty to lower middle-income country status. According to new World Bank figures, the poverty headcount in Viet Nam fell from nearly 60 per cent in the early 1990s to 20.7 per cent in 2010.<sup>6</sup> This fall in poverty was driven by the quality of growth and the kinds of policies put in place by the Vietnamese government; policies which focused on creating good quality jobs, increasing public expenditure and sequencing reforms so that economic growth was kick started in the poorest rural areas, as well as a drive to protect key industries from volatile foreign investment.<sup>7</sup> Although in recent years growth has slowed as a result of

global economic instability and external shocks,<sup>8</sup> inflation is once again under control and the growth story continues. It is clear that a core component of Viet Nam's earlier economic trajectory has been the recognition that not all growth was good growth.

For countries emerging out of decades of poverty and under-investment, generating growth alone is not enough. The type of private sector investment that a country encourages can have a direct impact on that quality of growth, and governments have a role to play in choosing investment that leads towards high quality, equitable growth. Governments should give clear signals to investors about the type of growth they want through clearly and consistently articulating their priorities in domestic policy, regulation and incentives to attract Foreign Direct Investment (FDI). The Government of Myanmar must be bold and clear about the kind of growth it wants, and the standards it expects investors to uphold in their business activities and engagement with the local economy, environment and society.

### **Not repeating the experiences of others: Inequitable growth and land grabs in Cambodia**

Economic liberalization in Cambodia led to extremely rapid growth rates, hitting 9.8 per cent between 1999 and 2007.<sup>9</sup> But much of this growth has failed to deliver results for the poor. While Cambodia's Human Development Index rating has improved, income inequality has risen,<sup>10</sup> and environmental and social rights have been ignored and abused, particularly over the issue of land, where poorly managed land concessions have led to widespread land-grabs and conflicts between local communities and foreign firms. Vast flows of FDI without accompanying domestic investment have also left Cambodia heavily dependent on foreign investment and, because of this, vulnerable to shocks that would cause investors to withdraw.<sup>11</sup>

Like Myanmar, in Cambodia agriculture is a major source of income and provides employment for the majority of the workforce.<sup>12</sup> A key asset for small holders is their access to and control over land; however, legal requirements on land investment have often been sidestepped by investors with little or no accountability at the national or international level. Social and environmental impact studies have often been inaccurate or simply not carried out, consultations have been tokenistic, and, in some cases, the promised benefits of investment have never materialized.<sup>13</sup> Poor farmers are often unaware of their legal rights and have weak bargaining capacity to protect their land and livelihoods. The result is that land already being cultivated by small-scale farmers has repeatedly been expropriated for commercial use with devastating consequences for the affected communities. One of the most controversial cases involved \$33m of World Bank support to the Government of Cambodia to improve land tenure security and promote the development of efficient land markets. Critical safeguards and consultation policies were not upheld with the result that hundreds of communities submitted a complaint to the World Bank claiming to have been evicted from their land as a direct result of the project. This eventually led the World Bank to suspend its entire lending portfolio in Cambodia, following a critical report by its own Inspection Panel.<sup>14</sup>

In Cambodia, FDI in the agricultural sector has often been at the expense

of the rural livelihoods which are so vital to small-scale farmers.<sup>15</sup> Although the expansion of the private sector has been a key factor in Cambodia's growth, it has also been a key factor in the unsustainable fashion in which assets have been used, rights abused, rural livelihoods damaged and inequality increased. It is vital Myanmar does not repeat this.

The right kind of private sector investment has the potential to deliver huge economic benefits for women and men living in poverty. Where there is a healthy, vibrant and responsible private sector, there are great possibilities for equitable economic growth. Growth that enables poor people to access markets, decent work, goods, services and credit can lead to real poverty reduction.<sup>16</sup> But too often the benefits of private sector growth go to a select few, excluding the vast majority from any benefits, and shifting the risks and costs to the poorest, who are least able to bear them. Private sector investment that fails to integrate social and environmental responsibilities into its core business model can deprive people of access to vital natural resources, displace them, and result in devastating abuse of rights for poor communities. Wealth that is generated in local value chains but not captured by poor communities can deepen poverty, exacerbate inequalities and lock in market dependency. If the government fails to collect tax revenue from those companies benefitting from the growth in Myanmar's economy, essential services, such as health care and education, will remain underfunded. This will leave vast gaps in provision for vital hospitals and schools, creating distrust and dissatisfaction with the government. Ultimately this will deprive Myanmar of the building blocks of economic prosperity that provide a healthy, skilled and empowered workforce.

The private sector in Myanmar has the potential to be the engine of growth for all, but not if markets are left unregulated. In Myanmar, where decades of under-investment in core infrastructure means many live on the precipice of absolute poverty, people cannot wait for the benefits of private sector investment to be realized. The question of how to set a pathway to equitable growth and responsible investment must be urgently answered. If instead, we see a rush to embrace all investment in order to create short-term growth, there is a real risk that the poorest will be excluded and permanent environmental and social damage done in the name of short-term profit for international investors and privileged local elites.

## WHAT WILL BE IMPORTANT FOR THE PRIVATE SECTOR IN MYANMAR

### **Investing in small-scale farmers and markets they can access**

There is growing evidence to show that, in poorer countries, small-scale agricultural development is commercially viable *and* has the potential to maximize poverty reduction.<sup>17</sup> This is particularly important for Myanmar

where up to 70 per cent of the population is engaged in rural agriculture<sup>18</sup> and the rural sector is dominated by small-scale farmers. The nature of investment in this sector will have a huge impact on small-scale farmers, as well as on the health of the whole economy. Crucially, national poverty reduction will rest in part on how much investment in agriculture is tailored to supporting these producers.

Improving the yields of small-scale farmers without making them dependent on agribusiness will help expand livelihoods and food security for the majority of Myanmar's population. But this can only be done through increasing access to key resources: evidence shows that low yields are not a function of inefficiency. They are the result of restricted access to resources such as markets, infrastructure, technical inputs, land, water and credit. Increasing small-scale farmers' access to these resources and building markets that matter for them will be vital if they are to use those markets to lift themselves out of poverty.<sup>19</sup>

Enhancing local government capacity and incentives to support small-scale farmers with effective inputs will be essential. Currently, many local township authorities in Myanmar do not have sufficient capacity or resources to support small-scale farmers with adequate extension services or the right kinds of agricultural inputs. Policies and practices to maximize investment in rice paddy across the country mean some farmers are required to produce crops that are not suitable for their climate, notably in the Dry Zone, a fragile environmental area in central Myanmar characterized by scarce water resources. Rich farming households have better access to high-quality agricultural inputs such as irrigation and fertiliser, whereas poor farmers often use low-quality inputs or none at all, leading to low yields and low-quality products. Current irrigated land is mostly owned by larger farmers, so improving water availability, access and management could greatly contribute to reductions in food insecurity and poverty among small-scale farmers. Unless local level capacity to deliver such inputs is addressed, the potential production levels of small-scale farms will continue to be stunted.

Decentralization has begun. By rolling-out reforms to planning and budgeting processes – such as the development of Township Development Committees which have the potential to create bottom-up governance that works for small-scale farmers – decentralization has the potential to provide localized support for small-scale farmers, but only if there is sufficient political will in place.

Wealthy landowners can easily access credit, as they can provide collateral which results in lower interest rates, but credit for small-scale farmers is extremely limited. The Myanmar Agricultural Development Bank provides loans to small-scale farmers, but these cover a limited proportion of farmers' costs and are difficult for women farmers to obtain, leaving many farmers to rely on the informal money-lending sector.<sup>20</sup> Widespread demand for more credit and a lack of options has led to a thriving informal market and little protection against indebtedness. Increasing opportunities for small-scale agricultural investment must be done in tandem with the provision of long-term sustainable credit and

access to other financial services for small-scale farmers. The government will need to be vigilant to ensure that new loan packages, including those offered through micro-finance institutions, do not trap growing numbers of people, already on the brink of poverty, in debt. Support for the development of financial market infrastructure and financial service provision should target those services and institutions that can support small and medium-sized enterprises and rural businesses, rather than being too narrowly directed to attracting and incentivizing large-scale international investment.<sup>21</sup>

## **Addressing power inequalities in agricultural markets**

Increasing access to resources and markets will be crucial, but alone this is not enough. Power inequalities in the market also need to be tackled. Small-scale farmers lack power in the market place, and are often undermined by powerful interests. They have limited bargaining power, and don't have enough weight to negotiate and set prices, with the result that they participate in the market on poor terms.<sup>22</sup> This means the market is failing to work for those without sufficient power. Globalization and the opening up of markets in Myanmar is also resulting in increased competition for small-scale farmers as imports of all kinds, including agricultural products, begin to reach even the most rural areas. Farmers need support to become more competitive by producing higher quality products, reducing costs and diversifying their markets. But this shift requires the government and private sector to set favourable conditions to encourage equitable growth. Failing to address these challenges will result in continued market failure, and, in Myanmar, where small-scale farming is so central to the economy, this will mean the market is failing both the majority of agricultural producers and the majority of economic actors in the country by excluding them from participating on fair terms.

Large-scale investments in land and agriculture are growing in Myanmar – bolstered by the government's strategy to attract substantial new investors and modernize the agricultural sector.<sup>23</sup> These kinds of investments often marginalize rather than empower small-scale farmers, but even where the needs of small-scale farmers are factored in, the most powerful actors in the supply chain tend to dominate profitable markets, leaving small-scale farmers with the local market segment for low quality products. Ignoring the realities of these inequalities will increase the dependency of small-scale farmers on large-scale agriculture, reinforcing their inability to access profitable markets.<sup>24</sup>

Policies should be targeted at helping small-scale farmers, rural communities and women to build their voices, protect their interests and harness their power to make markets work for them. The Government in Myanmar should be supportive of producer organizations (POs), ensuring their voices are reflected in policy, so that small-scale farmers can join together to benefit from economies of scale and a stronger, united negotiating voice. POs can link disparate and marginalized producers with more lucrative markets, while allowing them to share risks and costs, meet quality requirements, and negotiate with increased

market power. Businesses see the value of working through POs to aggregate produce and deliver inputs and services to farmers. But POs need a supportive environment to flourish. They need to be protected from interference by the state or non-member investors, and should not be subject to double or triple taxation: transactions *within* a co-operative are not income-earning and should not be taxed.<sup>25</sup> Women members of co-operatives need to be better supported; for example, the government could make changes to ensure women find it easier to register their legal ownership of land. Since women are often disadvantaged in formal structures, policies that are supportive of POs should also apply to informal groups engaged in production or other activities.<sup>26</sup>

The government can also improve the transparency and openness of official professional associations, such as the Union of Myanmar Federation of Chambers of Commerce (UMFCCI) and its sister organizations, to enhance their capacity to make markets work better for small-scale farmers, and develop measures that encourage women to participate more in them.

At the other end of the spectrum, the government can actively help to encourage a level playing-field through effective regulation and healthy competition in markets, by reforming state-owned enterprises, and tackling monopolies that dominate sectors, distort agricultural markets and squeeze out smaller producers.<sup>27</sup> Crucially, the government and companies should ensure that the land rights of communities and small-scale producers are protected against damaging large-scale land acquisitions (see below).

### **Making markets work for small-scale farmers in Myanmar's central Dry Zone**

Private sector investment into agriculture will not benefit small-scale farmers unless they are linked into supply chains. Ensuring farmers are connected to markets through hard infrastructure such as roads is essential, but having voice, power and leverage in the market place is equally important. As individual actors in the globalized market, single farmers have very little power and can rarely compete with bigger agribusiness players. As a result, supply chains are often dominated by weighty investors who have the power to set prices and dictate terms to smaller producers. In the drought prone central Dry Zone of Myanmar, Oxfam is working to support the development of value chains, on commodities such as sesame and cotton, which will help to establish partnerships between different actors in the market and strengthen the position of small-scale farmers.

Cotton is often farmed and produced by women in Myanmar. But individual women farmers have few options to increase their influence in the market, and are often restricted to selling raw seed cotton to local traders because of their limited links to bigger market players and processing factories. This makes them little profit. Oxfam is now starting work in the Dry Zone with women farmers, local traders, factories and government agencies that specialize in cotton, to develop cotton farmers' knowledge of how the market works and to build their capacity to engage with it more effectively. This means providing technical support to help farmers improve the quality

of their produce and the methods for processing and transporting it to market. It also means addressing power structures within the market by developing community based farmer's organizations, such as co-operatives, to increase the collective power of cotton farmers to engage in the market on more equal terms, and improving the capacity of local and regional stakeholders to support small-scale cotton production with adapted services and better policies.

## Tackling unequal access to and control over natural resources

Conflict around ownership of land is a growing problem in Myanmar. In 2012, the government introduced two new land laws in an attempt to address the flaws in existing land legislation. But, despite some improvements, these land laws still leave people in Myanmar open to abuses of their social and environmental rights. They fail to protect those without cast iron legal rights over land by omitting to cover customary tenure or including internationally recognized protection standards, such as Free, Prior and Informed Consent (FPIC)<sup>28</sup> (a right for indigenous peoples under international law). This can be particularly damaging for women who have less formal ownership of assets including land.<sup>29</sup> Moreover, loopholes in new land and foreign investment laws allow investments in land to be prioritized and approved if they are in the national economic interest.<sup>30</sup> As the case study on Cambodia demonstrates, large-scale land acquisition that fails to take account of affected communities can lead to damaging economic consequences, the violent displacement of large numbers of people, and can eat away at social cohesion; none of which are ingredients for long-term inclusive growth.

The Government of Myanmar must close the loopholes in the current laws to ensure that people living and working on the land are protected, and must guarantee that new deals are negotiated and implemented transparently, with full consultation with affected communities. Even if national laws are insufficient, companies investing in large-scale land acquisitions often commit to meet international safeguards, such as those set out by the International Financial Institutions (IFIs), for example the IFC Performance Standards.<sup>31</sup> But there is growing recognition from IFIs that their own social and environmental safeguards also need to be strengthened and much better implemented and monitored if they are to do a better job of protecting at-risk groups.<sup>32</sup> The World Bank's review of its own safeguard measures is currently in process.

The Government of Myanmar should work closely with IFIs and with civil society to ensure that its own legislation and policy around land reflects internationally acceptable standards – at a minimum, by implementing reforms to deliver improved governance in line with the UN Voluntary Guidelines on the Responsible Governance of Tenure.<sup>33</sup> These include ensuring all land investments apply the principle of FPIC, and are subject to full environmental and social impact assessments, which are participatory and transparent.<sup>34</sup> In Myanmar, IFIs including the World Bank, IFC and Asian Development Bank,<sup>35</sup> need to ensure that new and

improved social and environmental safeguards<sup>36</sup> form a core part of their technical support and of any project finance or development loans to the Government of Myanmar, including for Land Administration programmes.<sup>37</sup> In particular, where IFI investments involve or promote large-scale land acquisitions, IFIs must ensure community consent and full pre- and post-project transparency, and avoid involuntary resettlement. IFIs and other donors also need to ensure that their own support to Development Finance Institutions (DFIs), which use aid to promote private sector investment, requires that all the projects they finance are fully transparent and are subject to improved safeguards standards as outlined above.<sup>38</sup>

## **Upholding labour rights**

A pre-requisite for ensuring the private sector delivers on growth for all is the presence of labour rights. Experience in neighbouring countries has shown that too often, workers are poorly paid, have few rights and insecure employment prospects.<sup>39</sup> Decent wages, sustainable and predictable income and essential labour rights in line with International Labour Organization (ILO) standards and conventions are the critical foundations for ensuring that the benefits of private sector investment are shared.<sup>40</sup> The 2011 Labour Organisation Law<sup>41</sup> that overturned the 1962 Trade Unions Act banning trade unions,<sup>42</sup> signals the government's commitment to bring labour rights in line with international standards and offers a good foundation for protecting workers.<sup>43</sup> This is important for agricultural workers who are often the most marginalized and powerless in societies, particularly women whose lack of access to resources means wage-labour opportunities are a more likely form of employment. But legislation is only part of the journey: raising awareness so workers know what their rights are, providing legal mechanisms so that workers can hold their employers to account, and putting in place regulation and independent monitoring systems to ensure that employers are sticking to their side of the bargain are also essential. The Government of Myanmar needs to continue working closely with the ILO and with civil society organizations to ensure that people understand their labour rights; this requires upfront investment and political commitment. Abuse of labour rights will disempower the poorest and most marginalized, and, unless sufficiently addressed, will be a thorn in the side of inclusive growth across all sectors of Myanmar's economy.<sup>44</sup>

### **Business and Human Rights – the Guiding Principles**

Labour rights are essential, but businesses investing in Myanmar should also adhere to the UN Guiding Principles on Business and Human Rights (UNGP).<sup>45</sup> These are based on guiding principles for implementing the 'Protect, Respect and Remedy' framework<sup>46</sup> submitted to the UN by UN Special Representative Ruggie in 2011.<sup>47</sup>

The UNGP are grounded in the International Bill of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work. They apply to all states and businesses regardless of size, sector, location, ownership, or structure. The UNGP have set the stage for

meaningful development in business and human rights policies by clearly defining, for the first time, the roles and responsibilities of the state and businesses, and the means of redress open to people who are victims of human-rights violations. In doing so, they have placed rights firmly back on to the corporate social responsibility agenda. Businesses must fulfil their responsibility to respect human rights as set out under the UNGP.<sup>48</sup>

The UNGP should be implemented in Myanmar with a special focus on the rights of vulnerable groups, such as indigenous peoples, women, and people whose livelihoods are dependent on access to land and other natural resources over which they lack secure tenure. For this reason, the UNGP are important in relation to the UN's Voluntary Guidelines on the Responsible Governance of Tenure, as well as for rights of consultation and participation, including FPIC. It is vital that businesses investing in Myanmar abide by these principles and that the Government of Myanmar shows leadership in using both the UNGP and the Voluntary Guidelines on the Responsible Governance of Tenure to achieve responsible and pro-poor investment.

### **The Foreign Investment Law**

In November 2012, Myanmar's new Foreign Investment Law was passed by the Pyidaungsu Hluttaw (Assembly of the Union) and signed into law by President U Thein Sein.<sup>49</sup> This law signals Myanmar's new reform-driven openness to foreign investment and paves the way for vast new flows of investment in Myanmar's economy. Whilst the Foreign Investment Law has captured the attention of international investors, there remain concerns around its capacity to ensure that basic social, environmental and labour rights are met and whether it will protect the poorest and most vulnerable.

The Foreign Investment Law gives significant decision-making power to the Myanmar Investment Committee (MIC) over investments and the conditions under which they are allowed. This includes the power to decide social and environmental provisions, as well as broad decision-making power over land investment decisions. At the same time, it is not clear how these decisions relate to existing land laws or to bodies controlling land allocation decisions. The law currently lacks any reference to the need to balance the benefits of investment against robust social and environmental safeguards to counter the impact of negative spill-over from new foreign investment – including the need to recognize customary ownership and uphold FPIC before an investment can proceed.

The law also empowers the MIC to decide on the length and nature of tax exemption and relief for an investing company, which creates a risk that companies will not pay fair levels of tax. The government's commitment to sign up to the Extractives Industry Transparency Initiative<sup>50</sup> is a welcome step forward, but ensuring that all companies are transparent and pay fair levels of tax will be essential if Myanmar is to grow its domestic resource mobilization base to build vital infrastructure and provide the tax-financed services, like health and education, that are so essential to inclusive and equitable growth.

## AID FOR PRIVATE SECTOR DEVELOPMENT

Aid to promote private sector development is on the rise. This comes at a time when overall aid flows are continuing to fall.<sup>51</sup> Aid can play a crucial role in strengthening the foundations for equitable economic growth, but aid directly employed to leverage private sector investment must be used with caution and rigorously evaluated to guarantee it is being spent where there is most need.

Donors are increasingly using Public Private Partnerships (PPPs)<sup>52</sup> and routing aid through DFIs to encourage private sector participation in riskier investment climates.<sup>53</sup> It is vital that any aid investments used to promote private sector development in Myanmar are targeted squarely at reducing poverty and that, in the case of PPPs, public sector investment does not bear all of the risk.<sup>54</sup> DFIs need to improve the transparency of their investments and demonstrate rigorous monitoring to ensure they are targeted at poverty reduction and adhere to the highest standards on protection of social and environmental rights at all levels of the projects they are involved in financing.<sup>55</sup>

Donors and IFIs can help shape the direction of agricultural development in Myanmar by ensuring that their aid invests in promoting small-scale farmers and strengthening their ability to engage with markets. Multi-donor trust funds in Myanmar, such as the Livelihoods and Food Security Trust Fund, and contributing donors should continue to keep small-scale agricultural promotion at the heart of their investments, and work closely with the government to ensure that national policy is explicitly aimed at supporting this group. IFIs can ensure their technical advice also explicitly helps the government develop policy to support growth through small-scale agriculture. Crucially, donors and IFIs providing assistance must guarantee that any engagement on agricultural or private sector development is clearly linked to the protection of rights at all levels of development projects they fund.<sup>56</sup>

Finally, equitable, sustainable growth will not be achieved without the essential services people need to ensure they are healthy and equipped to participate in the economy. The evidence overwhelmingly shows that the most efficient and effective way to deliver such services to people is through providing universal, free, tax-financed health and education.<sup>57</sup> This has the additional bonus of building confidence in the state as the core duty bearer and enhancing the social contract through efficient and effective use of redistributive taxes. Donors need to work closely with the government to ensure that aid supports universal provision of tax-financed essential services, with a view to securing long-run, sustainable and equitable growth.

## RECOMMENDATIONS

### **The Government of Myanmar must:**

- Ensure that the national agricultural strategy and other key policy processes, such as the national comprehensive development plan, explicitly set out how they will invest in small-scale farmers as the backbone of the Myanmar economy, and as a clear route to reducing poverty and inequality and stimulating pro-poor growth;
- Invest in infrastructure, and improve technical inputs, extension services and credit for small-scale farmers, including by investing in the capacity of township authorities to deliver on these services, and in citizens' ability to participate in local planning and budgeting. They should ensure that these commitments are reflected in the 2014-15 budget;
- Set out how it will meet its commitment in the Accord for Effective Development Cooperation to pursue market-based, inclusive growth, and equitable and sustainable development with a pro-poor focus, including by securing property rights;<sup>58</sup>
- Support producer organizations by ensuring they have complete autonomy, and commit to not taxing transactions between co-operative members;
- Change laws and practices that dissuade or prevent women from participating in professional associations;
- Reform state-owned enterprises and tackle monopolies that dominate sectors, distort agricultural markets and squeeze out smaller producers;
- Address flaws in the land laws and other relevant pieces of legislation, including the lack of recognition of customary tenure, and ensure that new deals are transparent and subject to full, participatory social, environmental and human-rights impact assessments;
- Implement governance reforms in line with the Voluntary Guidelines and the UNGP, and apply the principle of Free Prior and Informed Consent (FPIC) to ensure that people living and working on the land are protected;
- Ensure the MIC publishes an accessible list of the investment agreements and land investments being made, which is updated every month;
- Review the balance of national spending and ensure that the lion's share goes on productive resources, such as infrastructure and education and healthcare systems, that are so vital to growth. This will mean reducing spending on other areas such as the military as well as working to ensure domestic resource mobilization is strengthened to finance essential services.

### **Donors must:**

- Ensure that aid directly used to leverage private sector investment is used with caution and rigorously evaluated to test that it is being spent where there is the most need;
- Ensure that DFIs improve transparency around their investments and demonstrate rigorous monitoring of investments to ensure they are

targeted at poverty reduction. DFIs should also adhere to the highest standards around protection of social and environmental rights at all levels of project investment, in line with international human rights law.

- Ensure that, where IFI investments involve or promote large-scale land acquisitions, whether through technical advice, project finance, development policy loans or lending through DFIs or financial intermediaries, IFIs guarantee community consent, full pre- and post-project transparency, and avoid involuntary resettlement;
- Ensure that aid explicitly invests in promoting small-scale farmers and strengthening their ability to engage with markets;
- Ensure that any technical advice explicitly helps the government to develop policies targeted at supporting growth through small-scale agriculture and improves its social and environmental safeguards. They must also ensure their technical advice to the government around investments reflects new and improved safeguards;
- Work closely with the government to ensure that their aid supports universal provision of tax-financed essential services, with a view to securing long-term, sustainable and equitable growth;
- Work with and support the government, businesses and civil society to participate in land governance reforms and implementation of the Voluntary Guidelines and UNGP;
- Seek to enhance transparency and accountability by disclosing all information and documents for public scrutiny.

## **The private sector must:**

- For any investments involving land acquisition, conduct consultation processes that are understood by all as engaging with and seeking the support of those who could be affected by decisions, prior to decisions being taken, and responding to their contributions (in line with the Voluntary Guidelines);
- Recognize that any proposed operation/investment that affects the tenure of indigenous peoples must, in addition to the full range of other safeguard measures, respect their right to give or withhold their free, prior and informed consent;
- Practise complete transparency by publishing all consultations, agreements and plans, including social and environmental impact assessments, on websites and through other mediums, such as newspapers and through radio announcements in a manner and language accessible to local communities;
- Adhere to core ILO standards and conventions on labour rights and the OECD guidelines for multinational enterprises, ensure that workers are paid decent wages, and that both employees and line management are made aware of rights and responsibilities. Private sector companies should also provide independent feedback mechanisms for reporting abuse of labour rights and work closely with the government to report failure to uphold these rights;
- Fulfil their responsibility to respect human rights, as set out under the UNGP.

# NOTES

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- <sup>3</sup> 'Human Development Report' (2013), UNDP, <http://www.undp.org/content/undp/en/home/librarypage/hdr/human-development-report-2013/>
- <sup>4</sup> 'Reducing poverty across Myanmar', UNOPS, <http://www.unops.org/english/whatwedo/UNOPSSinaction/Pages/Reducing-poverty-across-Myanmar.aspx>
- <sup>5</sup> [http://www.indexmundi.com/vietnam/gdp\\_real\\_growth\\_rate.html](http://www.indexmundi.com/vietnam/gdp_real_growth_rate.html)
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