

## **Summary for Consultations**

### **World Bank Group Draft Interim Strategy Note for Myanmar (FY13-14)**

#### **Purpose of an ISN**

As part of the World Bank Group's re-engagement with Myanmar, the World Bank Group (WBG) is developing an Interim Strategy Note (ISN) to guide its activities in the country over the next 18 months. ISNs are a standard planning tool used by the World Bank Group in countries re-engaging after extended periods of time, or going through significant political or economic change. The purpose of an ISN is to provide a framework for the Bank's engagement in a country until a full-fledged strategy can be adopted. ISNs are developed in consultation with government and a wide range of stakeholders, discussed at the World Bank Group's Board of Directors, and then publicly disclosed. This summary is intended to help inform consultations on the draft ISN.

#### **WBG Re-Engagement with Myanmar and Country Context**

In describing the country context in which the Bank's re-engagement with Myanmar is taking place, the ISN reviews the significant and far-reaching changes that have taken place in Myanmar over the past 18 months, including the political and civil reforms (the release of political prisoners, the progress in ceasefire negotiations with non-state armed groups, the release of Daw Aung San Suu Kyi and the re-entry of her National League for Democracy Party into the country's political system) as well as the important economic reforms that have been undertaken, including floating of the currency, legalization of trade unions, tax reform and forthcoming legislation on foreign investment and banking reform, while acknowledging remaining challenges in each of these areas.

The ISN describes Myanmar as embarking on a triple transition: from an authoritarian military system to democratic governance; from a centrally-directed economy to market-oriented reforms; and from 60 years of conflict to peace in the border areas. These transitions offer hope to the people of Myanmar for better, safer and more productive lives, but also pose the risk that setbacks in one of the transitions will affect the others. The proposed program of the World Bank Group (WBG) will thus focus on activities that can support the success of these three transitions and prepare the way for the resumption of a full country program.

#### **Three Pillars of Engagement**

Building on the four objectives of the government's development strategy (agricultural development; balanced growth; inclusive growth; and development of quality statistics) the ISN identifies three pillars for engagement: transforming institutions; building confidence; and preparing the road ahead.

##### ***Pillar 1: Transforming Institutions***

- This pillar would support government's efforts at transforming institutions to equip them to successfully mediate competing demands, steer an increasingly complex economy, and navigate the country on its development path. Activities would focus on policy advice, capacity building, and technical assistance for institutions in the public and private sectors.
- To improve economic governance and create conditions for growth and job creation, this work would focus on three areas: (i) public financial management, to enable government to articulate an effective development plan and transparently link budgets to policy priorities; (ii) support for regulatory reform, including increasing access to finance for microfinance borrowers and SMEs; and (iii) private sector development, to promote broad-based economic growth and job creation.
- Activities would include diagnostic work (a financial accountability assessment, public expenditure review, and investment climate assessment), policy advice (on financial sector, microfinance), and capacity building through technical assistance.

### ***Pillar 2: Building Confidence***

- Because global experience has shown that institutional transformation is a long-term process, the second pillar of the ISN would aim to deliver short-term impacts to build and maintain confidence in the ability of the ongoing reform process to generate benefits for the people.
- One set of activities under this pillar would support the peace process in border areas through community-driven development programs to promote the recovery of conflict-affected communities, coupled with a robust monitoring and evaluation effort (supporting both WBG and other donor interventions), and direct support for the Myanmar Peace Center.
- A second set of activities would support a strengthened role for civil society to engage with government, including at the local level, to promote social accountability.
- A third set of activities would focus on generating quick and tangible impacts in people's daily lives across a range of sectors, including a planned national community-driven development project, and support for ICT policy reform.

### ***Pillar 3: Preparing the Road Ahead***

- The third pillar of the ISN would focus on preparing the resumption of a full WBG country program in Myanmar, including arrears clearance to enable Myanmar to access IDA resources.
- In addition, the WBG would continue during the ISN period an intensive effort of conducting analytical and diagnostic work to build its knowledge base of development issues facing the country. This could include support for the 2015 census, and the preparation of a nationally representative household expenditure survey.

### **Partnerships**

The large needs and complex operating context in Myanmar make coordination with other development partners essential, especially given the WBG's extended absence from the country. The program proposed here is based on close consultations with development partners and focuses on areas where the WBG has a comparative advantage. In the implementation of this ISN, the WBG would continue its close cooperation with development partners, including with the ADB and the IMF. The WBG would also continue to provide support to existing multi-donor trust funds, including in livelihoods and health, as well as to government in preparation for Myanmar's chairmanship of ASEAN in 2014.

### **Risks**

The current government-led reform presents an important opportunity for Myanmar to address long-standing development challenges, and the WBG is committed to assist Myanmar in seizing this opportunity. At the same time, the scale and pace of reforms also pose risks. Beyond specific risks inherent in eventual operations, the ISN identifies five key country-level risks:

1. fragility of reforms, with reforms enabled by consensus among key individuals  
→ *support move from individuals to institutions*
2. possible resumption of conflict, including increased social tensions as grievances surface  
→ *support to peace process and social cohesion*
3. uncertain operating environment, including possible failures in donor coordination  
→ *move slowly and scale up gradually; invest in developing government's implementation capacity and fiduciary/safeguard systems, in coordination with DPs*
4. rising expectations leading to frustration, since it will take time for Myanmar to catch up  
→ *focus actively on communicating work and expected results*
5. government reform overreach in context of limited capacity, leading to suboptimal reforms  
→ *understand macroeconomic and financial sector needs and assist government in building stronger monitoring and crisis response capacities.*