



Interim Country Partnership Strategy

October 2012

Myanmar
2012–2014

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 1 October 2012)

Currency unit	–	kyat
MK1.00	=	\$0.00116
\$1.00	=	MK861.3301

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CPS	–	country partnership strategy
FDI	–	foreign direct investment
GDP	–	gross domestic product
Lao PDR	–	Lao People's Democratic Republic
MDG	–	Millennium Development Goal
NDP	–	National Development Plan
PFM	–	public financial management

NOTES

- (i) The fiscal year (FY) of the government and its agencies ends on 31 March. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2011 ends on 31 March 2011.
- (ii) In this report, "\$" refers to US dollars unless otherwise stated.

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COUNTRY AT A GLANCE

Category	Year ^a				
Economic	2008	2009	2010	2011 ^b	2012 ^b
GDP (\$ billion, current)	20.2	31.4	35.2	45.4	51.9
GDP per capita (\$, current) ^b	351.0	537.3	595.7	759.1	856.8
GDP growth (% in constant prices)	5.5	3.6	5.1	5.3	5.5
Agriculture, livestock, fishery, and forestry	8.0	3.4	4.7	4.4	4.4
Industry	21.8	3.0	5.0	6.3	6.5
Services	12.9	4.2	5.8	6.1	6.3
Gross domestic investment (% of GDP)	...	...	...	...	...
Gross domestic saving (% of GDP)	...	...	...	...	...
Consumer price index (annual % change)	32.9	22.5	8.2	7.3	4.2
Liquidity (M2) (annual % change)	20.9	23.4	34.8	36.3	32.3
Overall fiscal surplus (deficit) (% of GDP)	(3.8)	(2.4)	(4.8)	(5.6)	(6.2)
Merchandise trade balance (% of GDP)	4.6	1.6	2.0	1.8	(0.0)
Current account balance (% of GDP)	0.6	(2.2)	(1.3)	(0.9)	(2.6)
External debt service (% of exports of goods and services)	4.6	5.1	4.3	3.1	3.9
External debt (% of GDP)	56.8	37.7	35.3	30.6	28.2
Poverty and Social	2000		Latest		
Population (million)	50.1		60.6		[2011]
Population growth (annual % change)	2.0		1.3		[2009–2011]
Maternal mortality ratio (per 100,000 live births)	420.0	[1990]	240.0		[2008]
Infant mortality rate (below 1 year/per 1,000 live births)	79.0	[1990]	50.0		[2010]
Life expectancy at birth (years)	59.9		62.1		[2009]
Adult literacy (%)	89.9		92.0		[2009]
Primary school gross enrollment (%)	100.0	[1999]	126.0		[2010]
Child malnutrition (% below 5 years old)	34.3	[2005]	32.0		[2010]
Population below poverty line (%)	32.1	[2005]	25.6		[2010]
Population with access to safe water (%)	62.6	[2005]	69.4		[2010]
Population with access to sanitation (%)	67.3	[2005]	79.0		[2010]
Environment	2000		Latest		
Carbon dioxide emissions ('000 metric tons)	4,276.0	[1990]	12,776.0		[2008]
Carbon dioxide emissions per capita (metric tons)	0.1	[1990]	0.3		[2008]
Forest area (million hectares)	34.9		31.8		[2010]
Urban population (% of total population)	28.0		33.9		[2010]
Loan Commitments and Disbursements (sovereign loans, as of 31 December 2011)	OCR	ADF	Total		
Total number of loans	2	30	32		
Net loan commitments (loan approvals less loan cancellations, \$ million, cumulative)	6.60	405.23	411.83		
Disbursements					
Total funds available for withdrawal (\$ million)	0.0	0.0	0.0		
Disbursed amount (\$ million, cumulative)	6.60	405.23	411.83		
Percentage disbursed (disbursed amount/net loan amount)	100.0%	100.0%	100.0%		

... = not available, () = negative, [] = latest year for which data are available, ADF = Asian Development Fund, GDP = gross domestic product, M2 = broad money, OCR = ordinary capital resources.

^a The fiscal year (FY) of the government and its agencies ends 31 March. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2011 ends on 31 March 2011.

^b Estimates.

Sources: ADB. 2012. *Asian Development Outlook 2012*. Manila; ADB. 2012. *Basic Statistics 2012*. Manila; ADB. 2012. *Key Indicators for Asia and the Pacific 2012*. Manila; International Monetary Fund (IMF). 2012. *Myanmar. 2011 Article IV Consultation*. Washington, DC.; Food and Agriculture Organization of the United Nations. 2011. *Forest Resources Assessment 2010*. <http://www.fao.org/> (accessed 15 June 2012); Ministry of National Planning and Economic Development, United Nations Development Programme (UNDP), United Nations Children's Fund (UNICEF), and Swedish International Development Cooperation Agency. 2011. *Integrated Household Living Conditions Survey in Myanmar (2009–2010)*. MDG Data Report and Poverty Profile. Yangon; and United Nations Economic and Social Commission for Asia and the Pacific, ADB, and UNDP. 2012. *Asia-Pacific Regional MDG Report 2011/12. Accelerating Equitable Achievement of the MDGs*. Bangkok.

I. INTRODUCTION

1. Emerging from decades of isolation, Myanmar is undergoing a major economic, social, and political transformation. With abundant natural resources, a strategic location in Southeast Asia, and a large and young population, Myanmar has a unique opportunity to lay the foundation for a brighter, more prosperous future.

2. Myanmar joined the Asian Development Bank (ADB) in 1973. While ADB has not provided direct assistance to Myanmar since 1988,¹ it has continued to stay involved through Myanmar's participation in the Greater Mekong Subregion Program, regular staff missions for economic monitoring, and participation in the damage and needs assessment following a major cyclone in 2008.

3. In response to the ongoing major reforms by the Government of Myanmar toward a democratic system and market-based economy, ADB adopted in early 2012 a phased approach to reengagement with Myanmar, involving significant preparatory analytical work and country dialogue in the first half of 2012. This interim country partnership strategy (CPS) presents ADB's approach to a full resumption of operations in Myanmar. It provides the framework for reengagement activities and mandates a highly consultative process to establish the foundation for a full CPS at the end of the interim period.²

II. DEVELOPMENT TRENDS AND ISSUES³

A. Country Background

4. Myanmar is the largest country in mainland Southeast Asia with a total land area of 676,577 square kilometers. It shares borders with 40% of the world's population in the People's Republic of China to the north and northeast, Lao People's Democratic Republic (Lao PDR) and Thailand to the east and southeast, and Bangladesh and India to the west and northwest. With a 2,800-kilometer coastline that provides access to sea routes and deep-sea ports, Myanmar has the potential to serve as a gateway between East Asia, South Asia, and Southeast Asia. Myanmar has rich natural resources, including arable land, forests, minerals, natural gas, and freshwater and marine resources. The economy is dominated by agriculture and farm-related activities, which account for 36% of gross domestic product (GDP) and 60%–70% of employment. Two-thirds of the population, estimated at 60.6 million, lives in rural areas.⁴

5. **Administrative divisions.** Myanmar is divided into seven states and seven regions. The states—Chin, Kachin, Kayah, Kayin, Mon, Rakhine, and Shan—cover mainly the upland areas and are largely populated by ethnic communities. The regions—Ayeyarwady, Bago, Magway, Mandalay, Sagaing, Tanintharyi, and Yangon—cover mostly the plains with a population of predominantly Bamar ethnic origin. An ethnically highly diverse country, ethnic and sectarian conflicts have been a significant feature of Myanmar's modern history.

¹ From 1973 to 1988, ADB approved 32 loans totaling \$531 million and 38 technical assistance grants worth \$11 million to Myanmar.

² For the preparation of a full country partnership strategy (CPS), ADB requires a substantial set of economic and sector analyses as well as comprehensive, broad-based consultations with stakeholders. The schedule for finalizing the full CPS will depend on reengagement progress.

³ For more detailed economic, sector and thematic assessments, see the linked documents (accessible from the list of linked documents in Appendix 1).

⁴ Population estimates are based on the 1983 population census and the 1991 Population Changes and Fertility Survey. A new comprehensive Myanmar population and housing census is planned for 2014.

6. **Poverty and Millennium Development Goals.** Data on poverty and Millennium Development Goals (MDGs) suggests that many dimensions of well-being—including poverty, employment, universal primary education, maternal health, gender equality, and environmental sustainability—improved between 2005 and 2010. However, Myanmar remains one of the poorest countries in the world with a per capita GDP of \$857, a Human Development Index rank of 149 out of 187 countries, and 26% of its population living in poverty in 2010.⁵ Poverty incidence in rural areas is significantly higher than in urban areas, with 85% of the poor living in rural areas. Regional disparities in poverty incidence are large, and disparities in non-income forms of poverty are evident across regions and population groups. A large segment of the population is highly vulnerable to adverse weather and other shocks, and experience transitory bouts of impoverishment.

7. **Gender.** Myanmar ranked 96 out of 146 countries in the 2011 Gender Inequality Index, ahead of some regional developing member countries.⁶ Key gender-related issues include a high maternal mortality ratio and insufficient access to reproductive and basic health services, low participation of women in public decision making and the labor market, increasing incidence of HIV/AIDS among women, and a lack of reliable and sex-disaggregated data across sectors.

B. Economic Assessment and Outlook

8. **Economic growth.** The outlook for Myanmar's economy over the near term is positive, bolstered by strong export earnings from resource-based commodities and an increase in foreign direct investment (FDI). ADB forecasts Myanmar's GDP growth to accelerate from about 5.5% in FY2012 to about 6.3% in FY2013 and 6.5% in FY2014.⁷ Prospects for faster economic growth over the medium term remain promising as a result of the improved political environment, the suspension of most international economic sanctions, the move toward exchange rate unification, the easing of foreign currency restrictions, increased FDI, and an acceleration of credit growth. Risks to the baseline projections include domestic and external uncertainties, as well as low capacity for macroeconomic policy making and implementation. While Myanmar remains fairly insulated from global shocks, stress in global credit markets may affect FDI inflows. Economic growth over the longer term is expected to be driven by exports of resource-based commodities, infrastructure investments, a strong increase in FDI, and greater international trade.⁸

9. **Macroeconomic stability and structural reform.** After 2 decades of double digit inflation, consumer price inflation has remained in single digits since 2009, mainly because of the government's shift from central bank financing to partial bond financing of the budget deficit and the decline in international commodity prices. Official international reserves, estimated at about 8 months of imports for FY2013, are being reviewed in terms of data accuracy and in light of the ongoing exchange rate and import liberalization reforms. In 2012 the government introduced a managed floating exchange rate as a major step toward a unified exchange rate system. The economy needs to be diversified to add stability and broaden employment sources. For the environment to be more conducive for the private sector, in particular small and medium enterprises, the legal and regulatory business framework needs to be strengthened, trade

⁵ Ministry of National Planning and Economic Development, Swedish International Development Cooperation Agency, United Nations Children's Fund, United Nations Development Programme. 2011. *Integrated Household Living Conditions Survey in Myanmar (2009–2010)*; and ADB. 2012. *Asian Development Outlook 2001: Update*. Manila.

⁶ UNDP. 2011. *Human Development Report. Sustainability and Equity: A Better Future for All*. New York.

⁷ ADB. 2012. *Asian Development Outlook Update*. Manila.

⁸ ADB. 2012. *Myanmar in Transition: Opportunities and Challenges*. Manila.

policies reformed, and the financial sector developed. The government has initiated reforms in areas such as monetary and exchange rate policies, central banking (including establishing operational autonomy), financial sector development, the enabling environment for businesses (including a foreign investment law), and trade.

10. **Fiscal management.** The government estimates the overall fiscal deficit at 3.8% of GDP in FY2013.⁹ Myanmar's tax revenue collection (at about 4% of GDP) is among the lowest in the region, which has resulted in suppressed public spending, particularly in the social sectors. Revenue management is challenged by a complicated tax structure, weak tax administration, generous tax incentives, and a lack of transparency. The government has taken first steps toward simplifying tax structures, broadening the tax base, stabilizing tax revenues, and improving transparency. On the expenditure side, imbalances in the allocation of resources between and within sectors have undermined the efficiency and effectiveness of services. This will require continued reorientation of spending, with more efficiency, towards sectors that are essential to inclusive growth, including education, health, and productive infrastructure. Capital spending and recurrent expenditures will also need to be balanced, as will discretionary and nondiscretionary spending.

11. **Governance.** Myanmar ranks poorly on most global indicators of governance including corruption. Central to public sector governance—and effective service delivery—is the country's public financial management (PFM) system. In ministries and agencies, budget planning, transparency, execution, reporting, and accounting have weaknesses. The continued prioritization of reforms to achieve accountability and transparency will be essential for more effective PFM and use of aid.¹⁰ Notwithstanding ongoing and planned legal reforms, the implementation of the rule of law is critical to ensuring civil liberties and strengthening the private sector enabling environment. While freedom of speech and media coverage has significantly improved, an inclusive culture based on the rule of law and empowerment will require ongoing reform. Reliable and accurate statistical data is indispensable for policymaking purposes and good governance.

12. **Connectivity and infrastructure.** After decades of international isolation and a lack of integration of the national economy, improved connectivity, both domestically and regionally, will help boost the country's competitiveness and broaden access to opportunity and services. Scaling up investments in connectivity and infrastructure will (i) improve access to domestic and regional markets, as well as basic services; (ii) attract private investment; (iii) reduce urban–rural development gaps; and (iv) help Myanmar reap the full potential gains from regional connectivity and integration. Domestic and international connectivity is severely constrained by an underdeveloped transport sector. Transport and logistics costs are high, and the lower-level (secondary and tertiary) road network is insufficient, particularly in rural areas, restricting the access of much of the population to economic and social opportunities and services. Physical connectivity and access to markets and basic services are especially weak in the areas that are home to the country's ethnic minority groups. Despite abundant energy resources, Myanmar has one of the lowest energy consumption rates in Southeast Asia because of its low per capita income and insufficient energy infrastructure, as reflected in the electrification ratio of only 26% and high system losses at 27%. The country suffers from persistent power supply shortages,

⁹ International Monetary Fund estimates the overall fiscal deficit at 5.2% of GDP in FY2013.

¹⁰ Government has implemented a number of measures to promote budget transparency, improved the structure of the budget, and initiated steps to join the Extractive Industries Transparency Initiative. The government, with development partner support, is undertaking a public expenditure and financial accountability assessment, a public financial management assessment, and a public expenditure review. Additional governance assessments are planned, including with ADB support, through 2012–2014.

including in Yangon and Mandalay, because of the lack of investment in new generation capacity for domestic consumption and poor maintenance of existing power generation, transmission, and distribution networks. Chronic underinvestment over decades has left urban areas with inadequate infrastructure and poor quality of services, particularly water supply, sanitation, and waste management. Compared with other Southeast Asian countries, Myanmar has less private sector involvement in transport, energy, and urban infrastructure development, including operations and maintenance.

13. **Rural development.** Most of Myanmar's population lives in rural areas and earns livelihoods from agriculture. However, the contribution of agriculture and rural enterprises to economic growth, job creation, and poverty reduction is constrained by limited access to markets and services, as well as low human capital development in rural areas. Food security has been an issue in selected parts of the country, with a dichotomy between accessible lowland areas and isolated upland areas. Physical constraints to agriculture and rural development include the poor condition of the rural road network; inadequate access to irrigation facilities, seeds, and fertilizers; and limited rural electrification. Policy-related issues include unattractive producer prices, partly because of nontransparent market mechanisms; expensive farm inputs; lack of access to credit; an ineffective land tenure system; lack of market information; and a poorly developed research and extension system.

14. **Environment.** Despite the low level of industrialization and low population density, Myanmar's rich natural capital endowment and environment is threatened by human activities and climate change. The key issues include a steady decline in forest quantity and quality, heightened pressures on biodiversity, intensifying utilization and deterioration of water resources, increasing land degradation, inadequate waste management, and emerging threats from mining sector growth.

15. **Human resource development and institutional capacity.** While the country has abundant human resources, underdeveloped human capital and institutions in both the public and private sectors constrain Myanmar's development. The ability of the poor and disadvantaged to participate in and benefit from economic growth is limited by their weak human capital. Education, especially post-primary education, has a pivotal role to play in promoting a skilled workforce and increased employment, increasing productivity and competitiveness, and making growth more inclusive.¹¹ At the same time, sustained support will be required to strengthen public institutions so they can effectively manage the reform process, undertake planning and implementation of development programs and projects, coordinate external assistance, and deliver essential public services.

C. Lessons Learned

16. While lessons from past operations in Myanmar are dated, some of the findings of post-evaluation reports on ADB loans to Myanmar before 1988 may still be relevant. Major implementation problems at the time were caused by limited absorptive capacity in government, rigid and complex government regulations and procedures, and centralized decision-making processes, often resulting in inflexibility and delays in project design, processing, and implementation. ADB has also had significant experience in reengaging with other Southeast Asian countries in transition from fragile and conflict-affected situations and embarking on major

¹¹ The government has taken important initial steps towards revitalizing the education sector. These include doubling the education sector budget in FY2013, implementing a new policy for universal provision of free primary school textbooks, passing the 2011 Private School Registration Law, and conducting a comprehensive education sector review with the support of multiple partners to inform future policy and planning.

political reforms (Cambodia, Lao PDR, and Viet Nam). Lessons learned include the following: (i) programs should help the client country develop, prioritize, and sequence its reforms agenda; (ii) programs should be flexible and adjustable in responding to evolving country needs, and delivered in close collaboration and coordination with other development partners; (iii) the introduction of policy reforms, adapted to the country's situation through significant TA support (especially analytical, advisory, and capacity development), should be embedded in the reengagement program; and (iv) a longer-term framework for capacity development should be applied. The interim CPS for Myanmar builds on these lessons.

III. THE INTERIM COUNTRY STRATEGY

A. Government National Strategy

17. Unlocking Myanmar's development potential will require sustained, long-term efforts. Government objectives include poverty reduction, national reconciliation, peace and stability, and the rule of law. The government is finalizing its 5-year National Development Plan (NDP), 2012–2016, which focuses on (i) agricultural development and industrialization, (ii) balanced growth among regions and states, (iii) inclusive growth, and (iv) quality statistics. The government is also preparing a Framework for Economic and Social Reform to guide NDP implementation. The government aims to achieve inclusive growth by mobilizing human capital, financial resources, and technology; increasing investments while cutting deficit spending; strengthening the role of the private sector in the economy; implementing measures to achieve MDG targets; and mobilizing official development assistance along with domestic and foreign investments.¹² A Planning Commission, headed by the President, was established in 2012 to guide the country's economic planning and development. The government is also preparing a new coordination mechanism for its development partners. Once completed, the government's new development strategic framework will guide ADB's strategy through the medium term.

B. ADB Country Strategy

18. **Medium-term goal.** ADB's medium-term goal in Myanmar is to assist the government in promoting sustainable and inclusive economic development and job creation in support of poverty reduction. Enhancing connectivity—domestic and regional, rural and urban—through both hard and soft infrastructure will be an important aspect of the strategy. The aim will be to help accelerate economic growth, create income opportunities, bridge rural–urban gaps, and more closely integrate the country with the region.

19. **Interim strategy.** ADB's objective under the interim strategy is to reengage in Myanmar and develop a comprehensive country partnership and program in support of sustainable and inclusive economic development and job creation. In the interim strategy period, ADB will emphasize three program areas: (i) building human and institutional capacity in ADB's areas of focus and strength to help lay the foundation for medium-term engagement and effective development processes; (ii) promoting an enabling economic environment, which is needed to achieve macroeconomic stability, promote trade and investment, diversify the economy, create jobs, improve financial intermediation, and increase agricultural productivity; and (iii) creating access and connectivity for rural livelihoods and infrastructure development by promoting enhanced access to markets and basic social services, improving rural infrastructure to boost farm productivity and incomes, lowering transaction costs, enhancing opportunities for domestic and cross-border trade and investment, and improving access to reliable and sustainable utility

¹² Government priorities are based on dialogue with and policy statements by senior government officials.

services. Links between these priority areas will be leveraged to the extent possible. While ADB's reengagement will initially cover relatively broad areas, it will become increasingly selective as ADB's assessments, government priorities, and the division of labor with other development partners evolve.

20. **Alignment.** The interim strategy supports the government's stated development goals and priorities, and addresses the critical development constraints identified by ADB's preliminary assessments. It is also closely aligned with ADB's Strategy 2020.¹³ The interim strategy seeks to align ADB's core competencies and country-specific comparative advantages with local development priorities. Taking into account Myanmar's unique development context, the strategy provides for flexible institutional responses and modalities in view of the rapidly changing circumstances and evolving priorities.

21. **Themes.** To maximize development effectiveness, ADB will mainstream the following themes into its operations and activities: (i) environmental sustainability—by integrating environmental considerations into key sector development strategies and plans; formulating strategic options and alternatives for promoting green and climate-resilient growth; developing capacity in natural resource management and biodiversity conservation; sharing good practices and assisting with the formulation of environmental laws, regulations, and standards; and adopting safeguards in the design and implementation of infrastructure projects; (ii) good governance—by supporting fiscal transparency and accountability systems in line with international good practice, ensuring that PFM has been raised to acceptable standards on the project and program level, and improving statistics; (iii) private sector development—by strengthening the policy, legislative, and regulatory environment for investment and trade; providing advisory services and training in identifying and structuring of public-private partnerships; and seeking nonsovereign investment opportunities, especially in infrastructure and financial sectors; (iv) regional cooperation and integration—by helping position the country to benefit from the expansion of regional cooperation and integration; leveraging Myanmar's participation in regional cooperation initiatives¹⁴ to achieve synergy between domestic and regional development efforts; promoting connectivity, trade and investment related policy reforms, monetary and financial cooperation and reform; and providing regional public goods; and (v) gender equality—by incorporating gender analysis in all key policy reviews and sector strategies and plans; and supporting women's access to skills development, employment and entrepreneurship opportunities, assets, resources, and decision making.

22. **Knowledge.** Providing new knowledge is essential to helping the government chart its transition to a market-based economy, implement reforms and development programs, and leapfrog development processes where possible by applying regional development knowledge and lessons to the challenges facing Myanmar. To better understand the current situation and identify development priorities, ADB will deepen its economic and sector assessments as the basis for developing and refining sector support strategies in consultation with the government and other partners. Analytical and advisory knowledge support will be provided to selected government agencies to help them identify and tap relevant knowledge, experience, and lessons from the region; share international good practices; and foster exchanges with other developing economies. Analytical work, advisory services, and training in project development

¹³ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

¹⁴ In particular, Myanmar's participation in the Association of Southeast Asian Nations, Greater Mekong Subregion Program, and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation.

will assist in developing capacities in planning and public investment programming, as well as in project management for future project implementation.

23. **Partnerships.** ADB will develop strong partnerships with development partners, civil society and the private sector to ensure the relevance, efficiency, and effectiveness of its engagement. ADB will collaborate closely with development partners and seek cofinancing opportunities in all operational areas.¹⁵ Recognizing the diversity of civil society actors inside and outside of Myanmar, ADB will establish and maintain effective two-way communication channels with civil society organizations, and seek opportunities for coordination and collaboration on development initiatives; towards this end, ADB will develop and commence implementing an effective and participatory consultation mechanism during the interim period. ADB will also work with the business community in promoting the role of the private sector in the country's development. In preparing the full CPS, ADB's Extended Mission to Myanmar, initially co-located with the World Bank Group in Yangon, will be instrumental in enhancing policy dialogue and consultation processes, promoting effective development partner coordination and collaboration, strengthening ADB's interface with all development actors, and facilitating ADB's knowledge and economic and sector work.

IV. STRATEGY IMPLEMENTATION

A. Indicative Resource Parameters

24. **Settlement of arrears.** Full resumption of ADB operations is contingent on the full settlement of government arrears with ADB.¹⁶ ADB has been working with the government and in collaboration with the International Monetary Fund, the World Bank, and bilateral creditors (including the Paris Club) on the arrears clearance as part of an international multiparty effort to help Myanmar regain access to international financial resources.

25. **Modalities.** ADB's full lending program will be determined only after the settlement of arrears and further assessments. In the absence of the data necessary to determine a performance-based allocation, ADB will consider special allocations from the Asian Development Fund (ADF) to Myanmar.¹⁷ The International Monetary Fund and World Bank are preparing a revised debt sustainability assessment. Soon after the arrears clearance, ADB may initially provide an ADF-funded, policy-based operation, in accordance with its guidelines. ADB will deploy a full range of nonlending assistance instruments, which will be tailored to meet the requirements for capacity building, policy reform, advisory services, and the preparation of investments in key areas of operation. Subject to the availability of resources, ADB will provide TA support funded by its Technical Assistance Special Fund at an indicative average of \$3 million per year during the planning period. Additional TA and investment grant resources are expected to be mobilized through trust funds and cofinancing opportunities. Myanmar will also be included in ADB's regional technical assistance activities.

B. Program Overview

26. **Human resources and institutional capacities.** First, based on the ongoing economic and sector assessments, ADB will provide TA grants for capacity and institutional support, as well as policy advice, to selected government ministries to assist them in managing the reform

¹⁵ Many development partners are reviewing and developing their respective assistance strategies and programs.

¹⁶ As of 2 October 2012, the arrears totaled \$520.5 million, comprising overdue principal debt and service payments.

¹⁷ Subject to ADF donors' support and Board approval.

process, planning and implementing development programs and projects, and improving statistics. Second, ADB will continue to work with the government and other partners on the comprehensive education sector review process, emphasizing selected areas of post-primary education including technical and vocational education and training. This will include support for sector and/or subsector analysis, capacity development, and identification of and planning for priority investments. Third, ADB will provide policy and advisory support for enhanced planning and funding for the education sector.

27. **Enabling economic environment.** Through a policy-based operation and TA, ADB will support economic government agencies in developing, sequencing, and implementing reform strategies and measures, geared toward promoting inclusive economic growth and job creation. Policy reforms will primarily focus on: (i) fiscal sustainability, macroeconomic stability, and strengthening public finance; and (ii) increasing investment, trade and financial integration.

28. **Access and connectivity.** To support rural livelihoods and development, ADB will (i) initiate investment grants for pilot testing of innovative, community-level, and environmentally sustainable rural development initiatives with tangible poverty impact; and (ii) incorporate design options related to rural development, closely informed by civil society initiatives, that will help boost the job creation, poverty reduction, and thematic impacts of ADB's lending operations. ADB will also closely monitor and, if necessary, help address challenges related to food security. Initial ADB support for transport connectivity will focus on the road subsector at the national and regional level by helping to strengthen institutional capacity, plans, and policies; identify and prepare priority projects; and develop linked interventions to mitigate the potential adverse environmental and social impacts of increased movement of people and goods, including the prevention of HIV/AIDS. Initial ADB support for energy infrastructure will focus on improving coordination among institutions in the energy sector, providing capacity development and institutional strengthening of key energy agencies, and helping identify and prepare priority projects. Initial ADB support for urban development will focus on identifying medium-term opportunities through dialogue, deepening sector studies, and piloting community infrastructure. Project preparatory work will include planning, safeguards, structuring, and due diligence.

V. RISKS

29. In resuming operations in Myanmar, ADB has to contend with both country-level and ADB-specific risks.¹⁸ Country-level risks include those associated with the implementation of the economic reform program, the extent of Myanmar's reliance on the development of natural resources, political economy factors, and the impact of ethnic and sectarian conflict. ADB and other development partners can help mitigate these risks by supporting the reformist government through technical and financial support, dialogue, and the engagement of a wide range of stakeholders. Risks specific to ADB are a function of the extent to which capacity and institutional weaknesses can be overcome through technical support and effective development partner coordination; and fiduciary risks can be effectively reduced through technical support and protective measures. Program delivery will be closely monitored, and risks assessed and appropriately addressed on an ongoing basis throughout the interim period. The interim strategy provides flexibility to allow adaptation to the rapidly evolving situation.

¹⁸ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 1).

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/CPS/?id=MYA-2012>

1. Economic Analysis (Summary)
2. Poverty Analysis
3. Environment Analysis
4. Gender Analysis
5. Regional Cooperation and Integration Analysis
6. Sector Assessment (Summary): Energy
7. Sector Assessment (Summary): Transport
8. Sector Assessment (Summary): Agriculture and Natural Resources
9. Sector Assessment (Summary): Post-Primary Education
10. Sector Assessment (Summary): Urban Development and Water Sector
11. Risk Assessment and Risk Management Plan
12. Country and Portfolio Indicators
13. Country Cost-Sharing Arrangements and Eligible Expenditure Financing Parameters