

Working paper

Building on what's there

Insights on social protection and public goods provision from central-east Myanmar



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Insights on social assistance, public goods and taxation from central-east Myanmar

Section 1: Introduction

After decades of military rule in Myanmar, the political and economic transitions that are now underway are already impacting on the provision of social protection services and public goods at the local level.¹ The progress made towards reaching cease-fires with armed groups around the country has allowed for expansion of the Myanmar government apparatus and services in some of these areas. Government expenditures on health, education, and to a lesser extent social welfare and rural development have increased substantially since 2009². Specific groups of individuals such as pregnant mothers and the elderly are now receiving assistance including direct cash transfers from state ministries, largely financed by international donors.³ In addition, a National Social Protection Strategy is now in place. Moreover the newly elected National League for Democracy (NLD) government are planning to expand state-provided welfare, social services and other public goods.⁴

These are all positive developments. Often ignored in attempts to support livelihoods through state-mediated welfare initiatives, however, is Myanmar's extensive economy of non-state welfare and public goods provisioning. Developed over decades of military rule, often with the direct encouragement of the regime itself, there are 100,000s of localized mechanisms of risk-sharing and social protection operating across Myanmar.⁵ However, little is known about the relative importance of these networks for households when compared to government support; the extent of the fiscal burden that falls on households; and households' opinions on this system of care.

Objectives of the study:

¹ Sincerest thanks to those who offered feedback on the survey questionnaire and earlier versions of this report including Marie Lall, Helene Maria Kyed, Rasmus Jensen Schjødt, Ashley South, Matthew Walton, Tamas Wells and the team at International Growth Centre. Special thanks to Mike Griffiths for his immense support including assistance training enumerators. Thanks also to Fabrizio Santoro and Saw U Ler Moo for project and research assistance and Yangon School of Political Science for survey collection.

² The share of the Union Budget spent on social services increased from 10 to 33% between 2009 and 2015. World Bank. 2015. Myanmar Public Expenditure Review 2015.

³ For example see UNICEF. 2015. Social Protection in Myanmar: The impact of innovative policies on poverty.

⁴ For National League for Democracy policy on taxation and expanding health-care and social protection see NLD. 2015. National League for Democracy 2015 Election Manifesto (English), pg 9, 17 and Myint Kay Thi. 2016. 'Ministry seeks to expand social protection schemes', Myanmar Times. 12 July.

⁵ See Heidel, B. 2006. *The Growth of Civil Society in Myanmar*. Bangalore, Books for Change, pg 60. On the growth of 'self-help' and civil society in Myanmar see Callahan, M. 2001. 'Cracks in the Edifice? Military-Society Relations in Burma Since 1988.' *Strong Regime, Weak State*. M. Pedersen. Adelaide, Crawford House Publishing: 22-51; James, H. 2005. *Governance and Civil Society in Myanmar: Education, Health and Environment*. London: Routledge Curzon. Lorch, J. 2006. 'Do Civil Society Actors Have Any Room for Manoeuvre in Myanmar/Burma? Locating Gaps in the Authoritarian System.' *Active Citizens Under Political Wraps: Experiences from Myanmar/Burma and Vietnam*. Heinrich Boll Foundation, Chiang Mai. 120-142; and Petrie, C. and South, A., 2014. 'Development of civil society in Myanmar'. *Burma/Myanmar: Where Now?* Copenhagen, Nordic Institute of Asian Studies Press: 87-94.

In the context of Myanmar's ongoing transition from authoritarianism, these dynamics of state and non-state assistance could have significant implications on both social protection outcomes as well as citizen-state relations.⁶The primary objectives of this preliminary study were thus to:

1. Provide a preliminary insight into Myanmar's welfare and public goods economy, especially the degree of citizen interaction with and reliance upon state and non-state institutions;
2. Provide an insight into the real tax burden of everyday people – including contributions to both formal state taxes as well as various non-state groups and actors that provide care and public goods;
3. Provide an insight into informal provision of public goods, especially the extent and form of household contributions;
4. Investigate how social assistance and fiscal contributions correlate with confidence in the fairness and capacity of state and non-state systems;
5. Provide an insight into how patterns of welfare, public goods, taxation and perceptions of legitimacy vary between a township under government control and one under mixed-administration (government and ethnic armed organization);
6. Offer some broad guidance for how citizen-state relations can be improved through reforms to taxation, welfare and public goods provision systems.

Overview of the report:

The paper proceeds in four sections. Following this introduction section, section 2 introduces the major actors in welfare and public goods provision in Myanmar and provides descriptive and analytical insights into dynamics of social assistance and public goods provision in the two townships of central-east Myanmar surveyed.

Section 3 provides an overview of household contributions to state and non-state institutions upon which dynamics of welfare and public goods provision is built. It places this burden in a comparative international context, before outlining respondent confidence in systems of state and non-state taxation, contribution as well as perceptions of responsibility in this context of 'self-reliance' and co-production of care and public goods.

Section 4 concludes by exploring policy options and challenges, outlining potential lessons which state institutions could draw from the confidence and trust held by actors of non-state assistance and public goods provision.

Geographic scope of this report:

The report takes a deliberately narrow focus on welfare and public goods provision in two geographically contiguous townships in central-east Myanmar that differ in ethno-religious composition as well as conflict and administrative history: Taungoo in north-east Bago Region; and Thandaungyi in northern Kayin State. The proximity and

⁶ On the importance of understanding existing power structures and impacts on accountability of public welfare schemes, see Hickey, S. and King, S. 2016. 'Understanding Social Accountability: Politics, Power and Building New Social Contracts'. *The Journal of Development Studies*. 52:8. 1225-1240.

variation between Taungoo and Thandaungyi presents a unique opportunity to compare dynamics of social protection, public goods provision and perceptions of the state in two significantly different townships.⁷

Taungoo was historically important as the site of the Taungoo Dynasty in the 14th and 15th centuries. During the British colonial period it emerged as a major administrative, logging and trading center for areas now administrated as northern Kayin and southern Kayah States. As a result of this trade history, independence bequeathed Taungoo a complex ethnic patch-work comprised of a majority Bamar Buddhist along with sizable Karen Christian, Hindu, Muslim, Chinese and Shan populations. The town has been under government control since soon after independence in 1948, and continued to develop as a major node of administration, trade and military control in central east Myanmar during the military period. According to 2014 census data, the administrative boundaries of the township – which runs to the border with northern Kayin State - comprises a population of 160,000, split between 23 urban quarters and dozens of semi-industrial and rural village groupings.

Thandaungyi is an administratively complex township in northern Kayin State directly east of Taungoo. After the Karen mutiny in the Burmese Armed Forces in 1949 briefly saw Karen forces seize Taungoo town, the mountains of Thandaungyi became a stronghold for what became the Second Brigade of the Karen National Liberation Army (later the Karen National Union) for much of the 20th century. A 2012 cease-fire between the KNU and the Tatmadaw led to an increase in Burmese government administrative presence in areas previously under contested or exclusive ethnic armed group control. The Karen National Union's Second Brigade continues to have significant administrative and military presence and influence in large parts of the township. In contemporary times, three broad types of administrative forms could be said to exist in Thandaungyi township: areas under uncontested government control; areas under 'mixed administration' where parallel bureaucracies of the Myanmar government and the KNU administer local affairs, approve paperwork and provide various kinds of services; and areas under exclusive KNU administration in the far east of the township. This research focused on government and mixed administration areas of the township, within which the 2014 census registered a total population of 96,000 people.

Given the geographically limited scope of research, this report is initial, indicative, and provides only a partial account of welfare, taxation and governance in contemporary Myanmar. However, the proximity and variation between the sample townships presents a unique opportunity to compare systems of social protection and public goods provision as well as perceptions of the government in regions with different histories.

Data and methodology

Data for this report is based on interviews and fieldwork carried out by the author between February and May 2016, building on earlier research conducted by the author between February 2015 and December 2016 in central-east Myanmar.

⁷ See Appendix III for a comparison of the economic structure and wealth composition of Taungoo and Thandaungyi townships.

The qualitative research was complemented with a household economic and social survey conducted by Yangon School of Political Science across 1000 households in rural and urban areas of Taungoo township, Bago Region and Thandaungyi township, Kayin State in March 2016. The survey sample was systematically randomised and stratified on the basis of 40 percent urban respondents and 60 percent rural respondents in order to make statistically significant conclusions from both areas. As a result, according to 2014 census data the overall results are not representative of Myanmar's overall population (34% urban, 66% rural), nor of Bago Region or Kayin State as a whole (22% urban, 78% rural). However, they do provide a robust perspective on the townships of interest and various sub-groups there-in, and provide a strong analytical foundation for further research.⁸ For more information on survey methodology and sampling approach, see Appendix II.

Interlocutors for this study included over thirty civil servants, bureaucrats and headmen from municipal governments, village, township and state representatives of the General Administration Department, township and state representatives of the Ministry of Livestock, Fisheries and Rural Development, Ministry of Health and Ministry of Social Welfare, Relief and Resettlement as well as representatives of the Social Security Board; representatives from twelve local welfare, ethnic and religious civil society groups; six members of the Naypyitaw and state/region parliaments; representatives of the Karen National Union 2nd Brigade; six Myanmar-national and international social protection specialists working with large NGOs and INGOs; and eight Myanmar-national and international academics and researchers. In-depth follow-up interviews were also conducted with more than thirty randomly selected household heads in surveyed villages, along with six interviews with volunteers at various village and ward welfare and self-reliance initiatives.

This mixed-methods approach allows for a preliminary insight into dynamics of social welfare, public goods provision and notions of reciprocity and obligation in the case-study townships, placing them into their larger state/region and national contexts. However, further research both in government controlled regions and in areas under 'mixed' Myanmar government and armed group administration is necessary to paint a more representative picture of social protection dynamics and their relationship to popular expectations of support from state and non-state institutions at state/region and national level.

⁸ The 'most different' approach to sampling used in this study allows a range of contrasts and similarities to be drawn between the two townships, providing useful initial insights into dynamics of social protection that should inform further research. Subsequent studies could adopt a 'most similar' approach to shed light on variation between otherwise similar areas, for example amongst areas with similar economic structure (high vs low labour intensive agricultural regions; provincial trade towns vs major cities); similar administrative systems (government vs mixed administration); similar geography (mountainous; dry zone; Delta; coastal); similar demography (ethnic or religious); or conflict history (1990s ceasefire; recent cease-fire).

Section 2: Provision of Social Protection and Public Goods

A variety of government departments are currently charged with the responsibility of providing social assistance and welfare in Myanmar. The major actors of interest to this report are the Ministry of Health (MoH), the Ministry of Social Welfare, Relief and Resettlement (MSWRR), the Department of Rural Development (DRD) and the Ministry of Labour, Employment and Social Security (MLESS). All four of these actors operate schemes and programmes providing medical treatment along with cash, in-kind and loan assistance to target populations such as pregnant women, rural entrepreneurs as well as pensions and social insurance schemes such as the Social Security Board (MLESS). Other ministries such as the Ministry of Education and the Myanmar Armed Forces also have specific programmes with social welfare outcomes such as in-kind and cash assistance for school children and as well as pensions for veterans, some of which are supported by international donors such as the World Bank.⁹

Non-state assistance is provided through a range of mechanisms. Much of the literature on non-state service provision in Myanmar has focused on health and social assistance systems managed by ethnic armed organisations (EAOs), and to a lesser extent community-based and civil society organisations operating in these contexts. These mechanisms are increasingly being acknowledged as important actors for many in contexts where armed group and Myanmar government administration systems often co-exist and overlay each other.¹⁰ This has led to substantial donor interest in processes and strategies for ‘converging’ state and non-state health and social assistance systems in these ‘mixed’ administration contexts.¹¹

In addition to health and social assistance systems managed by ethnic armed groups, non-government or ‘informal’ social protection is also significant in areas that have been under government administration for long periods of time. A 2015 LIFT study of 22,000 households in all 14 states and regions of Myanmar found that nearly two thirds (63%) reported the presence of localised social assistance organisations. These groups, mostly financed through donations from the local community, provided cash and to a lesser extent in-kind assistance for a range of social crises, particularly health emergencies, pregnancy assistance, disability and elderly care as well as funerals.¹² This highlights that a diverse range of non-state actors play a significant role in social protection in areas under Myanmar government administration as well as armed group and mixed administration. The diversity of actors within health and welfare provision in Myanmar might best be conceptualised as an eco-system of care and public goods provision comprised of civilian, military and non-state actors. Figure 1 provides examples of these services and goods, their mechanisms of financing and the various interactions between each of these providers.

⁹ See the summary of social protection initiatives provided by UNICEF for the National Social Protection Strategy [http://www.unicef.org/myanmar/Social_impact_study_version_2_\(Final_Draft\).pdf](http://www.unicef.org/myanmar/Social_impact_study_version_2_(Final_Draft).pdf) [access 22-4-2016].

¹⁰ See Jolliffe, K. 2014. *Ethnic Conflict and Social Services in Myanmar’s Contested Regions*. The Asia Foundation. Yangon.

¹¹ See for example the model of convergence outlined in Christian Aid. 2014. ‘Work towards health convergence’. Case-study paper. Yangon.

¹² See Griffiths, M. 2015. ‘Social capital and resilience’. Briefing note for LIFT.

Provider	Examples of services/goods	Financing mechanisms	Example of overlaps
<i>State (civilian)</i>	<ul style="list-style-type: none"> - Subsidized or free services provided by government hospitals and schools. - Various government-run welfare, pension and social insurance schemes. - Government road construction, electricity provision, waste collection and other essential services. - Various local development funds such as Constituency Development Funds or Green Emerald scheme. - Government law and order systems, including policing, courts and administration. 	<ul style="list-style-type: none"> - Union Government tax revenues, excises and investments. - Contributions from employers and employees participating in specific welfare schemes. - International loans and donors 	Non-state use of government technical road-design and construction services, often on a contract basis paid through donations from the local community.
<i>State (military)</i>	Military hospitals; education institutes; military pensions; road construction projects.	Union budget (35% 2015-16); off-budget revenues (military enterprises).	Civilian treatment at military hospitals; Veterans Associations which distribute regular social welfare and education payments to veterans and their families.
<i>Non-state</i>	<ul style="list-style-type: none"> - Private, for-profit health-care and education; - Charitable welfare groups, NGOs and informal networks that assistance for health emergencies, disability, funerals etc; - Armed organisations that provide goods and services; - Public goods such as roads and electricity. 	<ul style="list-style-type: none"> - Combination of fees, philanthropic donations and contributions to various institutions such as CBOs, religious institutions. - International donors and NGOs. - Taxation or donations systems managed by armed groups. - Monetary and in-kind support from various government institutions. 	Government support and contributions to CBO projects such as elderly care homes or village road construction.

Figure 1 Examples of welfare and public goods provision in Myanmar (civilian, military and non-state).

How significant are various actors within the larger system of care and public goods? Survey data on social assistance collected for this study finds that respondents received a range of assistance from a variety of actors, including the Myanmar government and a broad range of private and other non-government organizations. In this regard and in the below analysis, village association or self-help groups predominantly based in local townships are referred to as ‘welfare groups’, whilst more organisationally formalised national or international non-governmental organisations predominantly based in Yangon or other major cities are classified as ‘NGOs’.¹³ Receipt of welfare assistance is analysed according to poverty quintile of respondents.¹⁴

Health care

However, access to private treatment does vary significantly as private clinics are much more common in towns, and are especially rare in less accessible mountainous areas where there are few resident doctors. Unsurprisingly, the survey found that private clinics and private hospitals were much more important providers in urban areas (21 percent and 14 percent respectively) compared with rural areas (10 percent and 7 percent respectively). Rural respondents were twice as reliant on government clinics for treatment (14 percent) compared with urban respondents (8 percent).

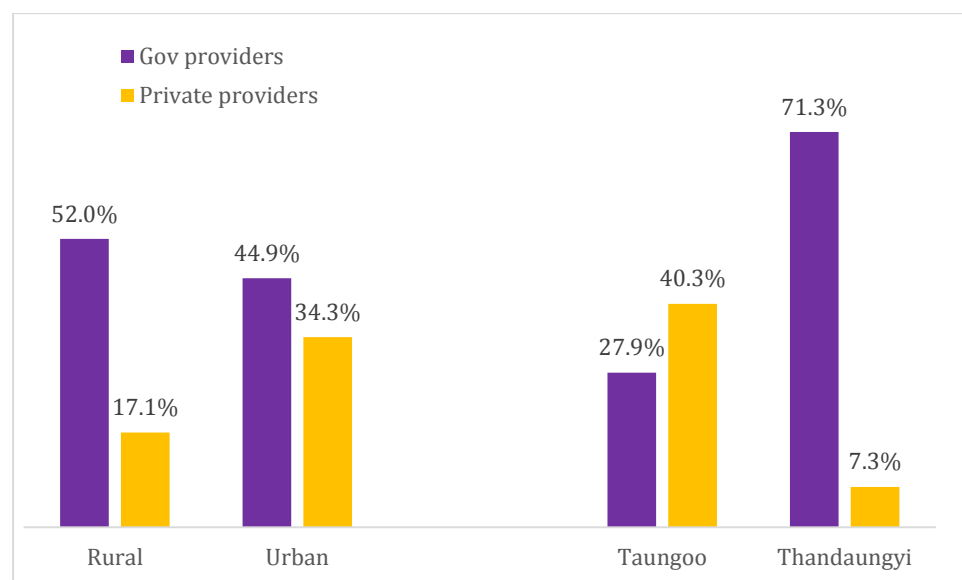


Figure 2: Provider of medical treatment by urban and rural areas.

Note: Respondents were asked “When you or someone in your family gets ill, where do you seek treatment?”, ranking 1 to 3 from most common to least common.

A stark difference in health care providers is also seen at the township level. The vast bulk of respondents in north Kayin State (Thandaungyi township) reported seeking treatment from government hospitals (44%) and clinics (18%), with a number receiving treatment from both government clinics and hospitals (9%) and private

¹³ This differentiation was used repeatedly by key informants, who distinguished localised assistance “coming from here” – referring to social welfare groups and village associations based in the village or townships and financed largely through local donations - from support “from Yangon” or outside of the village or township, referring to NGOs and INGOs.

¹⁴ See Appendix III for more information about these quintiles and their meaning in terms of actual poverty indicators.

hospitals (5.5%). Less than 2 percent received treatment from private clinics. This contrasts with central Bago Region (Taungoo township) where the availability of private facilities sees over 40 percent of respondents receiving assistance from private clinics and private hospitals. Government hospitals remain the primary source of treatment for 22 percent of Taungoo respondents, however.

State role in maternal health

There are specific areas where the government is the dominant health-care provider. Over 60 percent of respondents who had received assistance for maternal health reported the government as being the main source.

These findings were corroborated using interviews and focus groups with pregnant women, the majority of whom reported being visited by midwives or attending government-sponsored maternity health centres. These clinics are located in both urban and rural areas across the country and offer health check-ups and advice, blood tests, and coordination of plans for giving birth either in a government hospital, or at home with a midwife.

Patients are requested to attend the clinic eight to ten times throughout their pregnancy – four visits prior to birth and up to six visits in the months after to check on the child and receive vaccinations. The extent and duration of these pregnancy services helps explain the proportion of respondents listing the government as a major provider of assistance in this area. On a larger scale, the availability of these services provides context to rates of infant mortality in Myanmar which remain one of the highest in Southeast Asia but have almost halved since 1990.¹⁵ These state-linked services are free, though many pregnant women interviewed reported making a donation out of what they termed “respect for the nurses”.¹⁶

In addition to government pregnancy clinics and midwives, many women also visit private clinics for which they usually pay between 2000 and 5000 kyat per visit. Especially in urban areas, many families also go to private and charitable clinics, some of which have specific treatment days for pregnant women where vitamins are distributed and referrals to the state hospital are provided, if required.

In other areas of health-care such as health emergencies and disability care, this assistance is more diffuse. Of the 15 percent of who reported receiving assistance in the past year, family, neighbours and village associations accounted for the bulk of

¹⁵ See <http://www.unric.org/en/latest-un-buzz/28957-maternal-mortality-remains-a-threat-to-myanmar-mums>

¹⁶ The current maternal clinic network is tied to the Maternal and Child Welfare Association, a major government organised non-government organization that was patronised heavily by the state during the U Khin Nyunt period (2001-2003) and emerged as one of the largest ‘civil society’ organisations in the country. Many of these clinics now work closely with the Ministry of Health across the country such that women who use these maternity clinics see little differentiation, again highlighting the complexity of drawing strict conceptual boundaries between ‘state’ and ‘non-state’ welfare in Myanmar. For a background see James, H. 2005. *Governance and Civil Society in Myanmar: Education, Health and Environment*. London: Routledge Curzon.

providers (40 percent), with around 25 percent receiving some form of support from the government.¹⁷

Mediation of health assistance

Over a fifth (21 percent) of respondents reported receiving assistance in getting access to medical treatment, with rural respondents reporting a slightly higher level of mediation than those in urban areas. The common providers of assistance were family and friends, and in some cases, civil servants and village headmen.

Both villagers and urban households interviewed suggested that most assistance was in the form of logistical support such as transportation from a village to a clinic or hospital. In some cases, village welfare associations gave advice on where and how to access treatment, and in some rare situations direct assistance was provided by family or friends who worked in the civil service to obtain special care or private rooms in hospitals for the sick or injured.¹⁸

Health Expenditures

Given the reliance on private providers as well as the multitude of costs such as pharmaceuticals, specialists, food and blood transfusions not covered in government clinics and hospitals, out-of-pocket expenses for health care were cited as a significant proportion of household expenditure. Almost 70 percent of households estimated they spent between 10 and 20 percent of their income on health costs with a sizable proportion of families (12%) saying health was their largest cost (>30%) – outstripping food, accommodation and transportation for many. The immense financial burden of health care is born out in cross-national data. Myanmar has one of the highest average out-of-pocket expenses for health treatment in the region in 2014, frequently placing households in catastrophic debt.¹⁹

Proportions of expenditure made on health care were consistent across both townships. Close to 85% of the population in both townships allocated between 10% and 20% of their expenditure on health. This was the case despite a much larger number of respondents in Thandaungyi receiving treatment at ostensibly fee-free government hospitals and clinics. This highlights that ‘public’ treatment in Myanmar also requires considerable out-of-pocket expenses to cover non-fee related costs.

The pattern of health expenditure varies only slightly between urban and rural areas, with rural areas spending proportionally slightly more on average compared with urban areas.

Education

Myanmar’s state education system is the main provider of primary and secondary education throughout much of the country. Faced with decades of chronic funding

¹⁷ The sample size of those who received disability assistance is too small (<10) to provide statistical description.

¹⁸ This was not a widespread phenomenon but was reported in a handful of cases in the survey and in interviews, highlighting that mediation of state-provided health care is comparatively rarer in Myanmar than in more developed welfare states such as India and Indonesia where such brokerage is ubiquitous.

¹⁹ Out-of-pocket expenses accounted for 78% of all health care expenditures in Myanmar in 2011, according to The World Bank. For an in-depth study of catastrophic out-of-pocket health expenses in Myanmar, see Nagoya et al. 2015. Healthcare Expenditures of Households in Magway, Myanmar, Nagoya Journal of Medical Science, 77:1-2, p 203-212.

shortages and civil conflict, however, a number of alternative educational institutions – such as monastic education, community-based schools and EAO education systems– expanded during Myanmar’s authoritarian period. State and region governments have been permitted to issue private school licences since 2012. Private, fee-based education thus comprises a small but growing section of Myanmar’s overall education system. However, government schools remain by far the dominant primary and secondary education provider in the sample townships – especially in rural and mountainous areas such as Thandaungyi.

Education expenses

The 2008 Myanmar Constitution and the Myanmar Ministry of Education do not permit the collection of fees for state-provided education in Myanmar. However, there are a range of other expenses associated with schooling which can form significant barriers to education of children from disadvantaged backgrounds. These include the cost of books, uniforms and exam fees, obligatory contributions to ‘Teacher and Parent Associations’ as well as additional private ‘tuition’ which is offered after-school, often by school-teachers themselves. The survey finds that a variety of institutions assist in allaying these costs for households, the most significant of which is the government itself.

Over a quarter (26%) of households received assistance with unmanageable costs associated with education, including in the forms of financial payments for curriculum materials as well as complementary tuition at various institutions. The government was cited as the largest provider of assistance, followed by NGOs (predominantly in Thandaungyi) as well as family and places of worship. Government support is more common in Thandaungyi and was targeted towards poor households, with 31 percent of the poorest and 22 percent of poor households receiving government assistance, compared with less than 10 percent for wealthier households. There was some variation across townships, with 20 percent of Thandaungyi households reporting government assistance and 5 percent from national or international NGOs for costs associated with education, compared with 15 percent of Taungoo households reporting government assistance and none from NGOs. There is thus some locational variation in the distribution of assistance, with key informant interviews observing targeting of government, INGO and NGO assistance in poor areas of Thandaungyi which previously experienced conflict. The significance of state education assistance highlights an acknowledgement that despite official restrictions on fees, the costs associated with education can be prohibitive and form a significant barrier to educational attainment, especially for poorer households.

Social welfare

In both sample townships, family, neighbours and local welfare groups were by far the most significant providers of social assistance, with national and international NGOs, places of worship and the government also playing roles in specific areas of support.²⁰

²⁰ There were three elements to this question: 1) “Have you received assistance in the past year for the following crises: food or water shortage; crop failure; health emergency; disability; elderly care; disability care; pregnancy; school fees; abuse and violence; funerals; flood assistance; other”; 2) “What form of assistance was received (cash; in-kind; loan; other)”; and 3) “Which actors provided the specific assistance?” Multiple choices were allowed for each response.

Food and water insecurity

In the year prior to the survey 10 percent of rural respondents reported receiving some form of assistance for extreme caloric or water shortage. National and international NGOs were listed as the most common providers of assistance (23 percent), followed by family (15 percent), government (8 percent) and village associations (8 percent). There was some variation across township, with rural households in Thandaungyi more likely to receive assistance from NGOs than those in Taungoo who accounted for the bulk of households receiving government assistance. This highlights that government support for dire poverty is both limited in magnitude - accounting for less than 10 percent of overall support - and also bounded in its scope with very little ability to reach poor households in mixed administration areas.

Flooding assistance

Flooding in the study areas, which are just outside of Myanmar's 'dry-zone', occurs rarely. However, occasional downpours can create major crises for villages, for example in 2014 when torrential rains burst the banks of the river that flows through Taungoo and flooded rural areas east of the town. The survey found that local self-help and welfare groups were the source of more than half of all support provided for flooding crises in the past year, with the government providing support in just over 20 percent of such cases.

Pensions and social insurance

Around five percent of households reported a family member receiving a pension from the government, while 8 percent of respondents said they were members of the Social Security Board (SSB), the social insurance scheme run by the Ministry of Labour, Employment and Social Security (MLESS) and financed through employee and employer co-contributions from monthly pay.

Despite the suite of social services to which SSB members are entitled to, household health expenditure is almost identical between those who reported being members of the SSB and those who did not. This suggests that many SSB members make significant out-of-pocket expenses for healthcare despite being entitled to treatment at clinics run by the scheme.

One reason for this discrepancy could be that the scheme is often not fully utilized, as many members do not know about its benefits. Staff at the SSB suggested in interviews that some members might also be deterred by the magnitude of paperwork required to receive treatment at an SSB clinic compared to paying 2000 kyat to receive unconditional treatment of similar quality at a private clinic.²¹

Elderly care and funerals

Less than ten percent of households reported receiving assistance for elderly care in the past year. Of those who received assistance, over half reported support from village or ward associations and neighbours. In Thandaungyi churches and welfare groups were also cited as major providers of support.

²¹ Interview with Social Security Board Clinic staff, Taungoo, March 8 2016.

A similar pattern is seen in relation to funerals, for which 20 percent of households reported receiving assistance in the past year. Families, neighbours, and local village associations were again cited as the most common providers of support.

There was some variation across townships, with village welfare groups less frequently serving as providers of funeral assistance in Thandaungyi, Kayin State. Instead cooperation between places of worship, family and neighbours directly replaced the role of village funerals associations, accounting for almost half of all funeral support provided in Thandaungyi. This is compared with Taungoo where only a handful of respondents reported receiving funeral assistance from a place of worship. Despite this variation it is clear that in elderly care and funeral provision, non-state providers are by far the most common institutions and networks of assistance, with the government being similarly absent in these spheres in both sample townships.

IN-DEPTH: Funerals, social assistance and risk-sharing

Funerals in Myanmar can be financially devastating for poor households as they are a major moment of ritual and sociality in the life of a family and community, especially amongst Buddhists. A funeral and related rituals run for up to a week during which households can outlay more than 500,000 kyat (US\$400) on catering, transportation, cremation, gifts for guests etc. For poor households, funerals costs are the equivalent of almost six months income, a crippling financial outlay.

As a consequence, many urban wards and rural villages have developed associations through which risk is pooled across a larger network of contributors.¹ Operating on a per-funeral basis, each household is expected to donate between 500 and 3000 kyat (\$0.4-2.5) (depending on village or ward size and the wealth of the household). Between 70,000 and 150,000 kyat (US\$54–116) is usually raised from the network and redistributed to the family of the deceased. Direct family and friends of the deceased will make donations at the funeral itself, with those more intimately related offering more — typically between 3000 (US\$2.33) and 10,000 kyat (US\$7.76).

Attendees interviewed felt obliged to make contributions to neighbourhood or village funeral groups out of a combination of intimacy with the deceased, knowledge of the expense of funerals, and a sense of reciprocity to receive the same support in the future. Some also cited social pressure from local authorities, such as the village headman, who is often involved in funeral associations. These mechanisms of communal risk-sharing are common across Myanmar and play an

Forms of assistance

Across areas of assistance, government support is strongly associated with in-kind assistance through access to medical staff or use of infrastructure – for example, treatment of pregnant women at state clinics by government midwives. In contrast, non-state assistance was in the form of cash or in-kind assistance. These patterns reflect the findings of a 22,000 household survey in 2015 that found the bulk of government assistance received by households was in the form of in-kind assistance

or loans. In contrast, village associations, family and neighbours predominantly provided cash assistance linked to a specific category of crisis or suffering.²² In addition to the magnitude of assistance, there is thus significant variation in the form of support provided by various providers.

Public good provision

In the literature on public goods provision in developing countries, two main stylised forms of state provided public goods emerge: those financed and constructed predominantly through state funds and formal taxation systems; and projects funded through informal taxation, collected by state or non-state actors and enforced through largely social, rather than legal, means.²³ The survey finds that ‘self-reliance’ comprises a large proportion of local public good provision in the sample townships.

Road Construction

Official responsibility for road construction in Myanmar is split between a series of authorities. The bulk of highways and inter-town roads are built and maintained by the Union Ministry of Construction, and to a lesser extent construction divisions of the Myanmar Armed Forces.²⁴ In urban areas, construction and maintenance of roads that are not major inter-town thoroughfares is the responsibility of municipal governments or ‘Development Affairs Organisations’. According to regulations passed in the 2014 Municipal Government laws in Bago and Kayin States, these roads are meant to be financed directly from taxes collected within local wards (though they may also receive support from state and regional governments in specific contexts or for particular projects).

In rural areas, responsibility for non-major road construction is more fragmented. Since 2014 responsibility for road construction and administration in rural areas has sat ambiguously between the General Administration Department, the Department of Agriculture and the Department of Rural Development, each of whom plans and funds some rural road projects as part of their broader activities.²⁵

Survey results

Whilst increasing resources have been committed to fulfilling these responsibilities since the transition to civilian rule in 2011, the survey found that the bulk of respondents attribute local roads to their own efforts rather than that of the government.

²² See Griffiths, M. 2015. ‘Social capital and resilience’. Briefing note for LIFT.

²³ For a longer discussion see Olken, B. and Singhal, M. (2011). ‘Informal Taxation’. American Economic Journal: Applied Economics.

²⁴ Military road construction was especially common in inaccessible conflict areas in the 1990s and 2000s, though responsibility for infrastructure delivery in former conflict zones and ‘mixed administration’ areas has increasingly been shifted to the Union Ministry of Construction since the transition to civilian government in 2011. For more on military infrastructure construction in the 1990s see Callahan, M. (2001). “Cracks in the Edifice? Military-Society Relations in Burma Since 1988”. In *Strong Regime, Weak State*, by Morten Pedersen, Emily Rudland and R.J. May. Adelaide: Crawford House Publishing, pp. 22–51.

²⁵ According to interviews with officers of the GAD, Municipal Government and the Rural Development Department in Taungoo and Thandaungyi efforts are made to plan and coordinate projects to prevent overlap through submitting projects to the GAD.

Almost 70 percent of respondents in rural areas attributed the road from the major inter-town road to their village purely to ‘self-reliance’ or to a partnership with other authorities such as local headman or the central government. This contrasts with urban respondents who were 20 percent less likely to attribute roads to self-reliance than rural respondents, and more likely to report roads constructed by the central or municipal governments. Despite this, just under half (47%) of urban respondents attribute local roads to self-reliance.

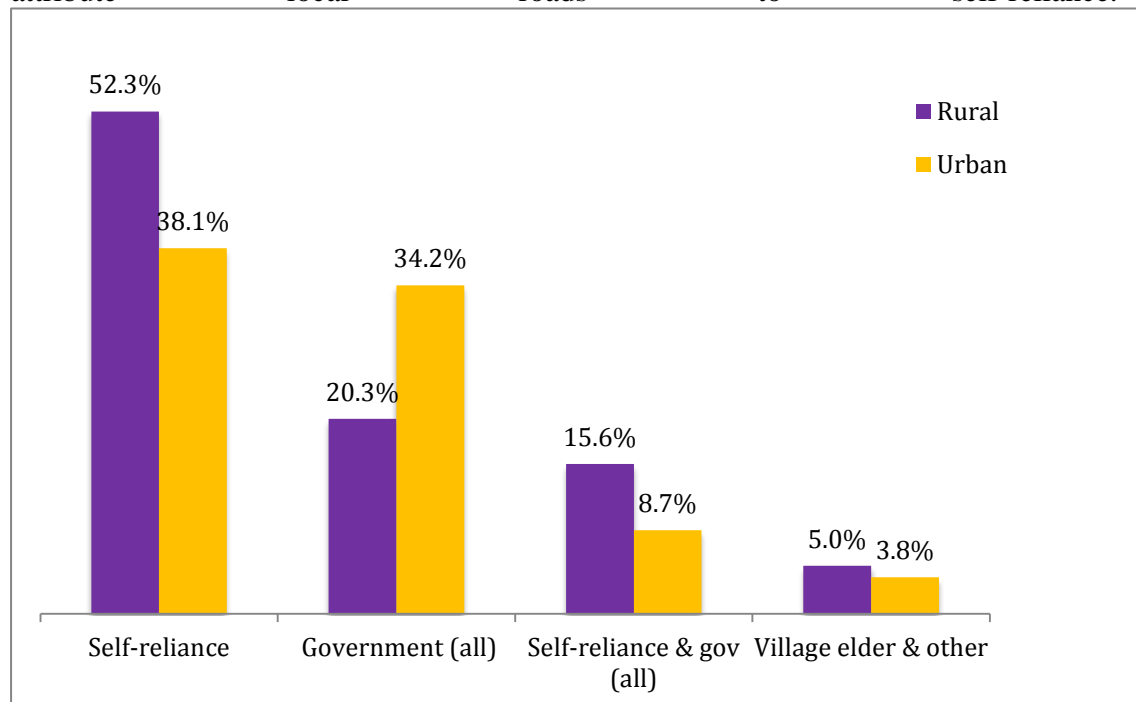


Figure 3: Attribution of road nearest to respondent dwelling (Urban/rural)

Note: Respondents were asked “Who built the nearest road to your house?” with multiple options permitted.

It is important to note that the notion of ‘self-reliance’ can be slippery, and in reality many of these projects receive some form of assistance – either financial or in-kind – from some tier of the Myanmar government, including local headmen. However, as citizens often initiate the road construction process by stimulating consensus and soliciting donations before municipal governments make their own contributions, many perceive the resulting project to be of a self-reliant nature.

Of the survey respondents, 27 percent of respondents attributed the road outside their house to some tier of the Myanmar government – either the central government, municipal government or ward/village headman. In contrast, just under half (45%) of all respondents said that the road nearest to their dwelling was an entirely ‘self-reliant’ project, with another 10% attributing the road to a collaboration between the local community and one of various tiers of government (most commonly the headman, municipal government or central government).

There is some variation in attribution of roads across townships, with ‘self-reliance’ roads slightly less common in Thandaungyi, Kayin State at 48% compared with 53% in Taungoo, Bago. Central government projects also comprised a slightly larger proportion in Thandaungyi, reflecting the significant number of state and Union

ministries contributing to infrastructure projects in northern Kayin State since the 2012 ceasefire between the KNU and the Tatmadaw. Roads that respondents said were constructed solely by the municipal government was of a similar proportion in both townships at 7 percent.

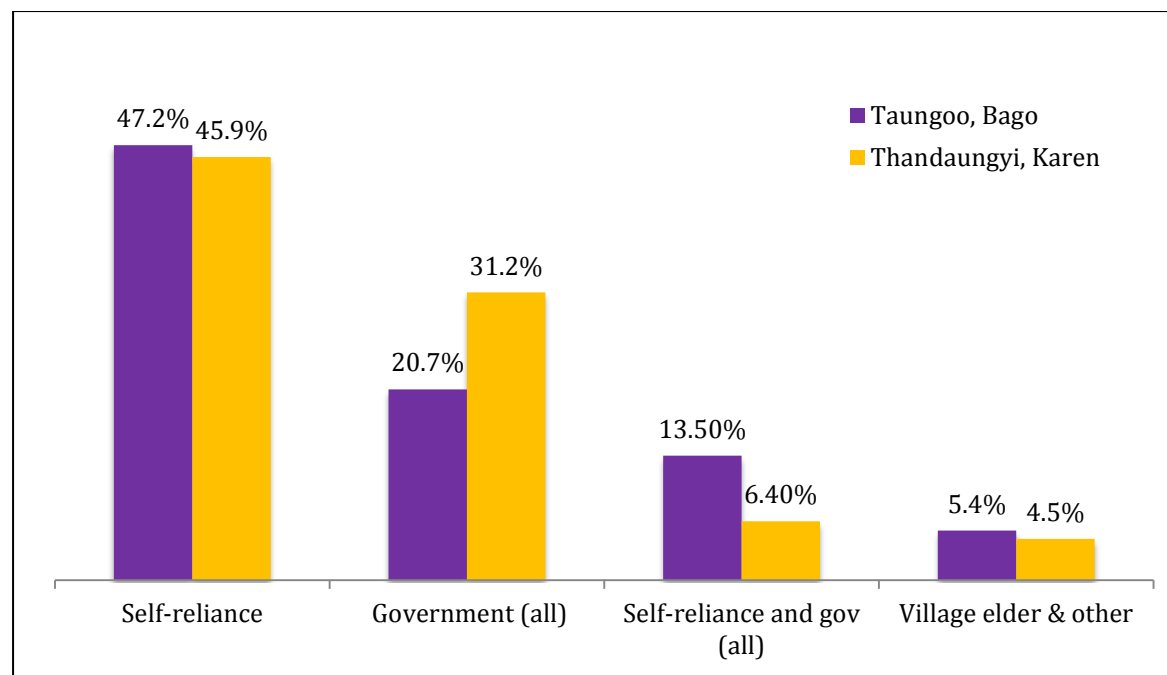


Figure 4: Attribution of road nearest to respondent dwelling (Township)

Note: Respondents were asked “Who built the nearest road to your house?” with multiple selections permitted.

The role that government officials play in self-reliance road projects varies by area (urban or rural) and kind of project. In some contexts, religious actors play an important role in coordination, as highlighted below in case-study one.

Electricity

The Ministry of Electrical Power (MoEP) is the primary government actor responsible for the national grid expansion and upkeep in Myanmar. MoEP manages the national electricity grid and at a local level is responsible for expansion and maintenance of the grid through construction of transformers, poles, and wires. It finances these activities predominantly through transfers from the Union budget though substantial local maintenance is also funded through collection of monthly electricity meter bills.

Municipal governments are technically responsible for the provision of streetlights within the core urban parts of towns. In practice, however, some DAOs – as part of state and regional government apparatus – also promote electrification at a local

level.²⁶ For example, in Leiktho town in northern Kayin State the municipal government operates a generator daily within particular hours, and collects monthly usage fees for this service.

CASE-STUDY 1: Religious leadership and a ‘self-reliance’ road in an IDP village

It is often difficult to differentiate ‘religion’, ‘community’ and ‘public’ in Myanmar, as religious institutions and actors are so fundamental to the function of many communities. Indeed, numerous people interviewed for this project - including villagers, religious actors and civil servants – used the phrase ‘self-reliance’ to refer to projects which the “entire community” including monks, pastors and in many cases local headmen played a role in coordinating.

An example is provided by a road project in a rural village in Taungoo township. The village was established in the late 1990s for internally displaced people from the mountains of northern Kayin State. Access to the village is difficult during the rainy season due to the dirt road being washed away or turning to mud. This has implications for vehicular access to the area including access to the market and schools in Taungoo as well as entry of ambulances to the village.

With these concerns in mind, in mid-2015 a number of community leaders took a leading role in renovating the main road through the village. The government-appointed headman has limited involvement in the road construction project, saying that as a Bamar administrator in a largely Karen village of internally displaced people, the local Anglican and Baptist pastors in the village possessed greater authority than him. As a result, whilst he encouraged and supported the pastors, they led the entire process of fundraising, volunteering and construction.

On the Sunday prior to the commencement of the project, pastors coordinated with each other to announce the road project as part of weekly services, and asked all households to contribute money and labour. The pastors collected these funds, keeping a record of all donors and the amounts donated. Suggested donations ranged between 2000 and 5000 kyat (US\$1.7 to \$4.2) depending on the wealth of the family. The majority of households in the village contributed.¹ The following Saturday, local churches rang their bells to encourage volunteers to help to build the road. At least one person from each household participated in the road construction – shoveling dirt and stone from the back of trucks, smoothing it and creating drainage tracts reinforced by stone and bamboo alongside the road. On the day the author visited, the workers and the pastors repeatedly described the project as ‘self-reliance.’

The road that was constructed was a mixture of stone and dirt, and grew muddier during the rainy season in 2015. However, it was a substantial improvement over the uneven and bumpy road that existed prior to the ‘self-reliance’ project. The case-study highlights the role that religious actors often

²⁶ See pg 40 http://www.se4all.org/sites/default/files/Myanmar_IP_EN_Released.pdf

In rural areas, the MoEP is responsible for connecting households to the national grid. In addition to government-financed grid extension, MoEP also partners with private companies to deliver electricity infrastructure and services in rural areas (in some situations at the urging of local villagers who make contributions to these projects). The Department of Rural Development is focused on household electrification through mechanisms such as solar panel distribution. As of 2015, there was no ministry responsible for mini-grid extension, precluding the distribution of Union funds to these grids.

In the context of these programmes and overlapping responsibilities, 68% of households reported having access to some form of electricity (grid, solar or mini-grid). The number of people who attribute electricity to government provision varied between townships, with Taungoo respondents (39%) much more likely to report receiving electricity from the government than households in mountainous Thandaungyi (25%). Rather, the largest proportion of respondents (37%) in Thandaungyi attributed their electricity access to 'self-reliance', substantially higher than the 23% of respondents in Taungoo who attributed their electricity to their own work.

Of those who had access to electricity, 70% of respondents in Taungoo reported connection to an electrical grid, compared with only 36% in Thandaungyi. In contrast, 38% of Thandaungyi respondents with access to electricity used a solar panel as their primary source of electricity, compared with 6% percent in Taungoo. The same proportion in both townships (18%) reported using a mini-grid linked to a generator of some form. 32% of respondents reported having no form of electricity in their home.²⁷

Conclusion

Overall, the picture which emerges from the survey of health, social assistance and public goods in the sample townships is one in which the Myanmar Government is the major player only within specific areas of welfare that have been state priorities for some time (eg. maternal health or education assistance). For the vast majority of people, their engagement with social assistance institutions is not a dichotomy of 'state' or 'non-state' but rather a complex dynamic of co-production in which recipients make claims to receive assistance from, and provide contributions to a range of actors and providers. Some charge fees, others are ostensibly free but often receive donations depending on the quality of service and the wealth of the individual.

Especially for crises such as flooding, food insecurity, elderly care and funerals, cash and in-kind assistance rendered by horizontal relations of assistance were by orders of magnitude more important sources of social protection than vertical ties to the state. Meanwhile, the majority of respondents said that local public goods were predominantly provided through 'self-reliance' mechanisms. As will be demonstrated in the next section, these dynamics of state and non-state provision place a significant fiscal burden on households through taxation as well as financial and labour

²⁷ A sizable proportion of these respondents said they visited family or friends and/or a monastery or church to use electricity.

contributions to non-state or co-produced care and public goods, subsequently shaping perceptions of responsibilities for these basic services.

Section 3: Taxation, donations and perceptions of legitimacy and responsibility

Underpinning the current system of social protection and public goods provision in Myanmar are various mechanisms of state and non-state taxation and contributions which together determine the real tax burden of households. This section explores the magnitude of a household's fiscal or 'real' tax burden, starting first with formal state taxation, followed by contributions and donations to religious and charitable organisations, and then comparing the degree of popular confidence in state-mediated redistribution and that by non-state institutions.

In exploring contributions to both state and non-state taxation, this section seeks to determine the real tax burden on households. Lough et al (2013: 10) define tax burden as: *All payments – whether cash or in kind, including labour time – that are made as a result of the exercise of political power, social sanction or armed force (as opposed to market exchange).*²⁸

Accordingly, it is essential to consider both tax payments to government officials such as income or land tax, along with contributions to non-state authorities and groups such as religious institutions, welfare groups, trade unions etc. Whilst these donations are rarely considered 'tax' in a Myanmar context, in practice their collection exhibits many of the same characteristics of strong social obligation and coercive enforcement as taxation. The below analysis focuses on formal state taxes as well as financial contributions to non-state actors.²⁹ The section on informal public good provision then explores in more detail the labour as well as the financial contributions through which respondents have supported road construction and electricity provision in the local community. Finally, the section summarizes respondents' perceptions with respect to the taxes and contributions they are making to state and non-state actors as well as their perceptions of who is responsible for the provision of services and public goods.

Formal taxes

About two thirds of respondents reported paying no or less than 10% of household income on tax in the six months prior to the survey. Average tax payments amounted to 3% of total household expenditure in Taungoo and 4.4% in Thandaungyi.³⁰

²⁸ Lough, O., Mallett, R. and Harvey, P. 2013. 'Taxation and livelihoods: A review of the evidence from fragile and conflict affected rural areas.' Working Paper for International Centre for Tax and Development and Secure Livelihoods Research Consortium Blog. London, pg. 10.

²⁹ An approximation of overall household expenditure made on 'bribes' was not possible in this survey. However, respondents were asked about small 'gifts' given in relation to specific government services such as receipt of documents or permissions letters of various forms. Across the sample 38% of those who received such documents said they had made a contribution, with 500 and 1000 kyat being the most common amount.

³⁰ This proportion does not explicitly include bribes, as respondents were asked what taxes (B: akun) they had paid in the three months prior to the survey. Whilst some respondents may have included 'informal' payments made to government officials in this category, bribes and 'processing fees' are

There was some variation across townships, with Thandaungyi respondents on average contributing a larger proportion of household budgets to taxes than Taungoo respondents. Respondents in urban wards of Taungoo paid the most tax (4.8%) in the sample, with rural respondents in Taungoo paying a mean of less than 2 percent tax as a proportion of household expenditure. This contrasted with Thandaungyi, where urban respondents paid a mean of 4.5 percent tax and rural respondents a mean of 4.4 percent. This points towards a differential tax burden between Taungoo and Thandaungyi, which may relate to larger plot sizes in Thandaungyi as well as a dynamic of double taxation by both government and non-state armed authorities (NSAG) that frequently occurs in cease-fire townships where there is overlapping or mixed administration.³¹ As noted later, these dynamics of double-taxation and competition between authorities appears to have an impact on confidence in the tax system in Thandaungyi.

In terms of specific taxes paid, tax collected by authorities for land use and levied by acreage (in rural areas) or size of dwelling (in urban areas) was the most common recorded tax paid.³² 51 percent of respondents in Taungoo and 53 percent in Thandaungyi said they had paid land tax in the six-month period preceding the survey. On average Thandaungyi respondents reported paying a higher rate of land tax (1122 kyat mean) compared with Taungoo respondents (498 kyat mean), a result that suggests larger plots of land in Thandaungyi and potentially dynamics of double taxation by state authority and the Karen National Union. Similar rates of land tax payment were observed across urban and rural areas. Whilst there is variation between townships, land tax appears to be highly regressive, with rich respondents paying a mean of 1300 kyat, middle-income respondents 1750 kyat, poor respondents 2200 kyat and the poorest 1670 kyat.

usually referred to as 'tea-money' or 'gifts' rather than 'tax' in Burmese. See FN 14 for specific amounts paid for services from government such as permission letters or documentation.

³¹ The Karen National Union collects financial contributions from villages throughout Thandaungyi township, including rural areas under government administration. These contributions are explicitly framed as 'donations', but were referred to some villagers interviewed as 'taxation'. Interviewees repeatedly referred to the KNU as a 'second government' or a 'second parent'. This association with authority of the state was considered as distinct from the more voluntary nature of religious donations, and thus is categorised here as more 'formal' state taxation.

³² Across the sample, 13 percent of respondents said they also regularly paid municipal tax, with another 31 percent saying they paid monthly usage fees for electricity.

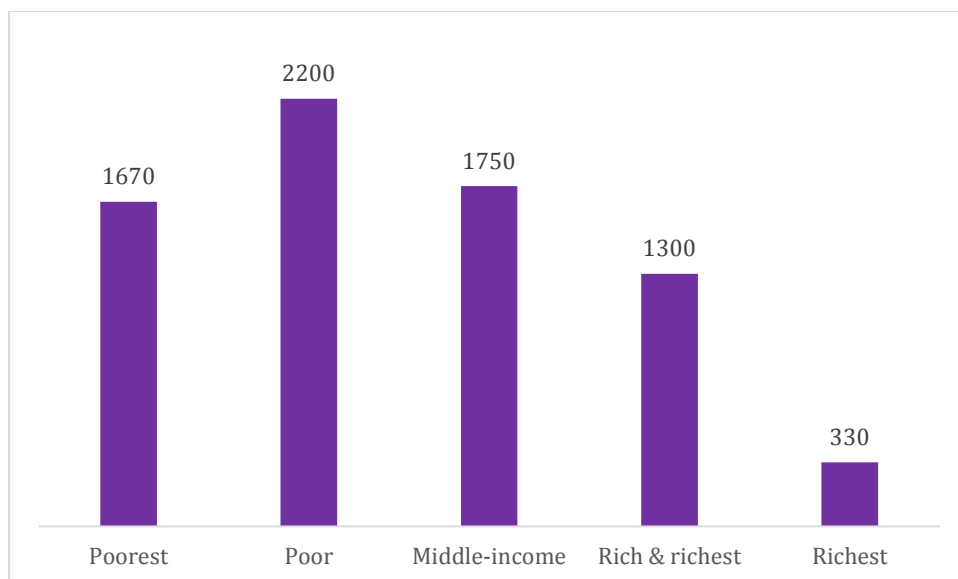


Figure 5 Land tax paid (Kyats in past year)

Moreover, respondents in the mixed administered and predominantly rural, mountainous area of Thandaungyi paid twice as much land tax (1120 kyat) than those in Taungoo (500 kyat). These findings may again be partly explained by larger plots in Thandaungyi containing plantations of betel-nut, tea, coffee etc compared with smaller-scale rice-paddy farming in Taungoo. Interviews also suggested that some villagers in Thandaungyi saw paying land tax to both KNU and government authorities as proving land ownership and ensuring a level of protection in the case of land grabs or land disputes. The variation in land-tax burden by household poverty thus suggests that land tax may also be weakly related to wealth. Given the importance of land tax in government revenue and economic policy more broadly, determining how tax is levied and collected, especially in mixed-administered areas, is essential for future research.

Contributions and donations to non-state actors (Informal taxes)

Households in the sample contributed substantially to various non-state institutions such as religious actors and associated welfare groups as well as local ward and village assistance associations. 70% of respondents reported making donations in the past month. These contributions were significant, with 47% of respondents reporting donations accounting for 10% of household expenditure, and another 13% saying they donated 20% of their income.

Across the sample, total contributions to non-state groups comprised an average of 8.5 percent of annual household expenditure. Daily contributions reflected annual donations, with 62 percent of respondents saying they donated to various institutions an average of 8% of daily household expenditure. In contrast to formal state taxation these donations were highly progressive, with poorest and poor households contributing 286 kyat and 547 kyat respectively, middle income households 639 kyat, rich households 753 kyat and richest households 1022 kyat each day.

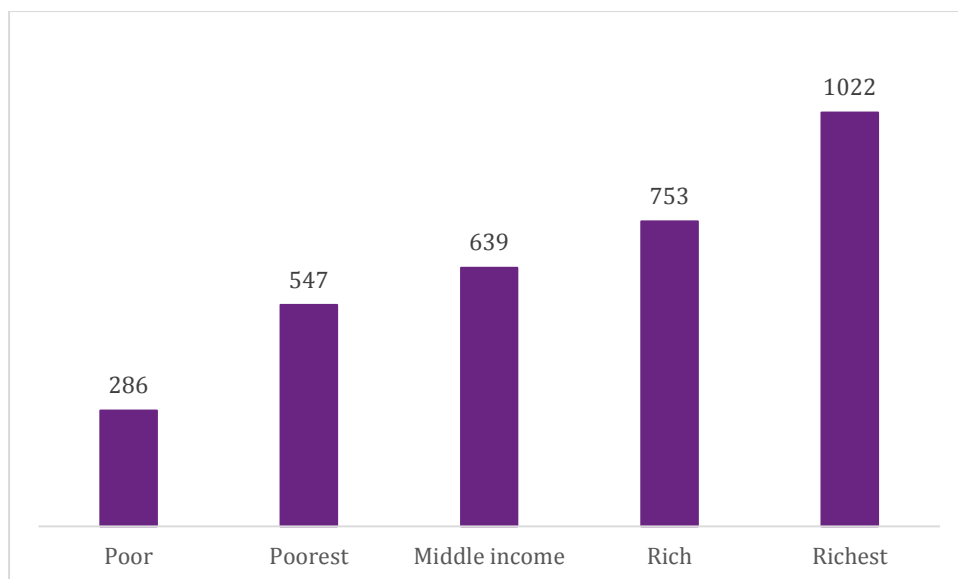


Figure 6 Daily Contributions to Non-State Institutions (Kyats Per Day)

Poor and poorest households were respectively 6 percent and 14 percent less likely to report making daily donations compared with middle, rich or wealthiest households. Average contributions to non-state institutions varied between townships. Household respondents in Thandaungyi were much more likely to report donating 1000 kyat, 5000 kyat and 10000 kyat than respondents in Taungoo, a larger proportion of whom contributed 500kyat on a daily basis. The strong correlation between wealth and daily contributions highlights how wealth and social status shapes expectations and willingness to contribute to this informal economy.

Myanmar's real tax burden in comparative context

Contrary to popular perception that Myanmar-nationals pay little or no tax, the preliminary data from the two townships surveyed in this study suggests that the overall tax burden is substantially higher than is popularly recognized, even with the exclusion of bribes/tea-money and labour contributions to public good projects explored below. When contributions to state and non-state institutions are combined, average 'real' tax burden for respondents was 12.2% of household expenditure. Of pure financial contributions to state and non-state authorities, formal state taxes comprised 30% with 70% directed to non-state groups in the form of contributions/donations.³³

Whilst drawn from a small sample, this data suggests that the 'real' tax burden – and the proportion of household budget directed to informal tax - is significantly higher than other contexts such as Nepal and Sierra Leone where there is available data on household contributions to non-state institutions (Figure X).³⁴

³³ Contributions to non-state groups averaged 9% of household expenditure in Taungoo and 8% in Thandaungyi.

³⁴ Also see Table 4 in Olken, B. and Singhal, M. (2011). 'Informal Taxation'. *American Economic Journal: Applied Economics*. They find informal tax comprises just under 4% of household expenditure in Ethiopia, 1.5% in Indonesia and less than 1% in Vietnam, Philippines and Albania. The data in these

For example, a recent survey of rural conflict-affected areas of Sierra Leone finds average total tax burden – including contributions to non-state and religious groups as ‘informal’ tax – was equivalent to 10.2 percent of household income. Of this tax, 64 percent was collected by agents of the state and 36 percent by non-government actors or local chieftains.³⁵ A recent survey in two districts of Nepal found that tax accounted for less than 1 percent of annual household expenditures. Of taxes paid, 51% was directed to government authorities and 46 percent to non-state institutions in the form of religious donations and other contributions.³⁶

In the sample collected in central-east Myanmar, average ‘real’ tax burden was 12.2 percent of household expenditure, an amount that does not include labour contributions to public goods provision explored in the next section. Formal state taxes and contributions/donations to non-state actors made up 30 percent and 70 percent respectively of the pure financial contributions made by households.³⁷ Contrary to popular belief that Myanmar-nationals pay little or no tax, the preliminary data in this study suggests that the overall tax burden is substantially higher than is popularly recognised. However, formal payment of government taxes is much less both in its magnitude and regularity than contributions to non-state religious and welfare groups.³⁸

studies is not directly comparable with this paper, however, due to their inclusion of labour contributions to public goods project which are valued at a daily rate of pay.

³⁵ Jibao, S., Prichard, W., and van den Boogaard, V. Forthcoming 2016. "Informal taxation in Sierra Leone." International Centre for Tax and Development Working Paper. Brighton, UK: ICTD, pg 10.

³⁶ Actual percentage given to tax may be higher, as respondents in the Nepal study reported substantially higher household expenditures than other comprehensive studies in Nepal. See Mallett, R., Acharya, G., Sturge, G. and Uprety, P. 2016. ‘Taxation, livelihoods, governance: evidence from Nepal.’ Secure Livelihoods Research Consortium. London, pg 19 fn 16.

³⁷ There was some minor variation between townships, with mean state taxes paid 3% in Taungoo and 4.4% in Thandaungyi, and contributions to non-state groups 9% in Taungoo and 8% in Thandaungyi. The higher ‘state’ taxes paid in Thandaungyi may reflect conceptualization of KNU contributions as ‘taxation’ by respondents, especially in relation to land taxation for which some respondents reported received receipts from the KNU.

³⁸ It is important to clarify that few Myanmar nationals understand contributions to non-state groups as ‘taxes’. A differentiation is commonly drawn between the compulsory nature of state taxation and ‘voluntary’ contributions given with ‘good intentions’ to religious, welfare or other non-state groups. Whilst this is an important distinction with substantial implications for how various authorities are understood, the degree of social pressure, status and coercion often involved with such contributions are important to factor into the overall fiscal burden of households. For a relevant discussion of coercion in informal tax see Mallett, R., Acharya, G., Sturge, G. and Uprety, P. 2016. ‘Taxation, livelihoods, governance: evidence from Nepal.’ Secure Livelihoods Research Consortium. London, pg 17-18.

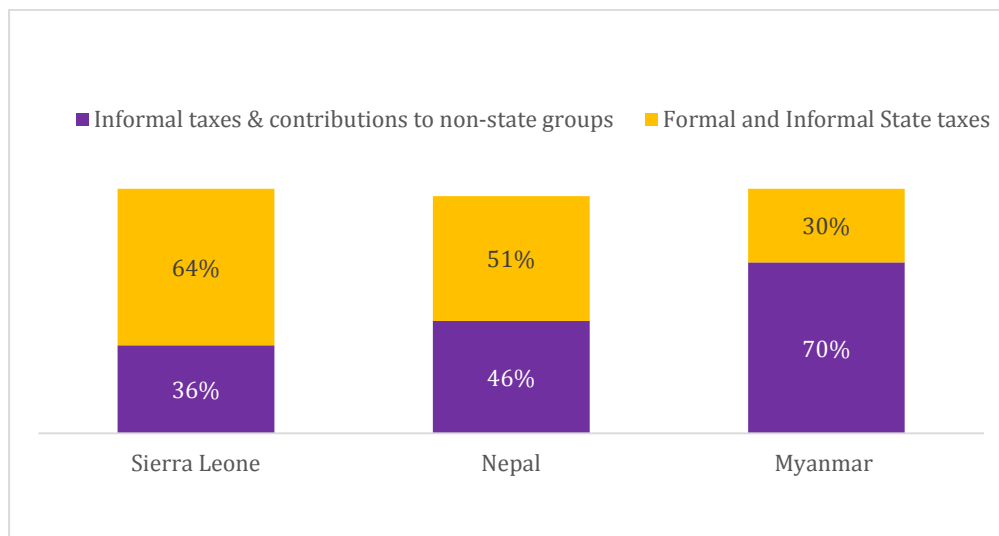


Figure 7 'Real' tax burden in Sierra Leone, Nepal, and Myanmar

Source: Jibao et al (forthcoming 2016) and Mallett et al (2016).³⁹

There is some substantive variation across townships in payment of formal state taxes, with rural households in Thandaungyi allocating more than twice as much proportionally to taxes than rural households in Taungoo. Broadly, they highlight that everyday people's experience of state taxation is predominantly concentrated in land tax, electricity fees and to a lesser extent municipal tax and that these patterns are relatively similar across areas that have been under government administration since 1948.

Whilst still preliminary and initial, this data from two townships suggests that the 'real' tax burden – and the proportion of household expenditure to informal tax - may be significantly higher than other contexts such as Ethiopia, Indonesia, Nepal and Sierra Leone where there is available data on household contributions to non-state institutions.⁴⁰

Informal contributions to road construction and electricity provision

Informal contributions to road construction

In the context of perceived self-reliant road construction noted earlier, it is no surprise that over 60 percent of respondents in both townships reported personally making a contribution of some form for construction of local roads. These contributions take a variety of forms.

The dominant form of contribution is in the form of labour (92%), likely a consequence of local development schemes that fund roads and other small projects and require communities to make contributions of various forms. As a state MP in

³⁹ Note that Nepal figures do not add to 100% in original report (Mallett et al 2016).

⁴⁰ See Table 4 in Olken, B. and Singhal, M. (2011). 'Informal Taxation'. *American Economic Journal: Applied Economics*, pg 44. They find informal tax comprises just under 4% of household expenditure in Ethiopia, 1.5% in Indonesia and less than 1% in Vietnam, Philippines and Albania. This data is not directly comparable with this paper, however, due to their inclusion of labour contributions to informal public goods provision which is not valued in monetary terms in this study.

northern Kayin State who had coordinated more than 60 state funded development projects since 2010 explained, many of these schemes – particularly the Rural Poverty Alleviation Scheme – explicitly state in either project guidelines or in workshops that recipient communities should be encouraged to make a contribution to the project.⁴¹ These labour contributions are coordinated by a range of authorities – most frequently the village/ward headman in partnership with religious actors – and labour is often given ‘willingly’ by the local community. As the MP explained, communities understand these contributions as enabling allocated government funds to be extended further, allowing them to have a wider impact than would be possible if workers were paid.⁴² This framing and understanding of contributions as other-concerning helps explain why the vast bulk of respondents (96%) in the household survey who made contributions to road projects believed that their actions drew good spiritual merit or grace, despite the similarity of this form of semi-coerced contribution to forced or corvee labour.⁴³

In addition to labour, over a quarter (27.5%) of labour volunteers also reported donating funds for roads. Poverty analysis highlights that the poor and poorest households were the most likely to solely contribute labour to road projects, accounting for almost half (48%) of those who solely contributed labour across the sample. In contrast, middle income respondents were much more likely to contribute money in addition to labour and or attending meetings, comprising over 65% of those who contributed money only, followed closely by the rich and richest quintile respondents. A larger proportion of middle income (29%) and rich households (39%) reported donating funds for roads than poor (20 percent) and very poor (17 percent) households, though labour contribution were of a similar proportion across poverty quintiles. This suggests a degree of progressive taxation, with wealthier households contributing both labour and funds whereas a larger proportion of poorer households only contributed labour or attended meetings.

⁴¹ 2 percent of these funds are deducted as “tax” by the state government from the overall value of the project, causing confusion for local communities. According to an MP who inquired in state parliament about this taxation of development funds, the practice was explained by bureaucrats as an operating fee to cover necessary field visits to inspect projects.

⁴² Conversely, the author also encountered a number of cases where communities spent more than the allocated government budget for a project and then raised additional funds through donations from the local community.

⁴³ This association of work on public good projects with good merit or grace was consistent at over 95% across both townships and across all major religious communities with more than 50 respondents surveyed (Buddhist, Christian and Muslim). For a discussion of the broader issue of forced labour in Burma/Myanmar see Horsey, R. 2011. *Ending Forced Labour in Myanmar: Engaging a Pariah Regime*. Oxon: Routledge.

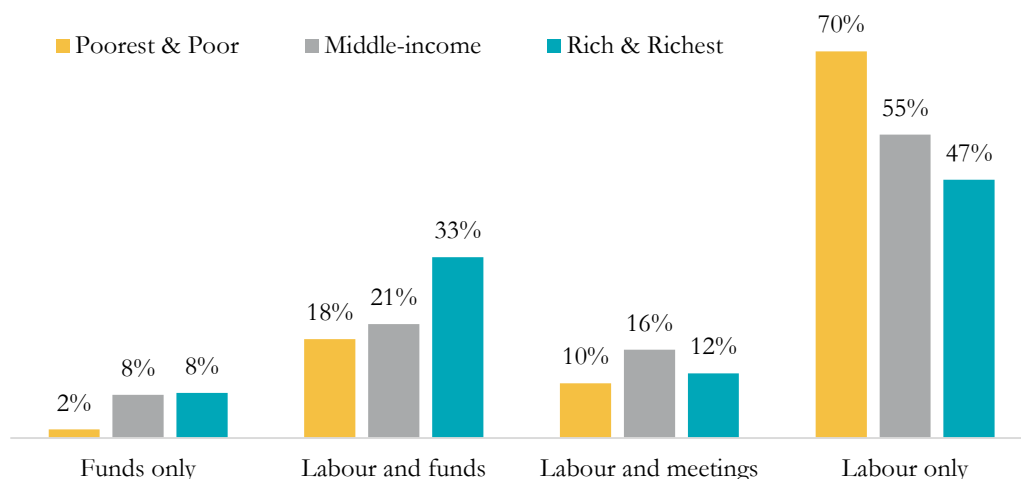


Figure 8 Types of Contribution Made to Road Projects

Note: Respondents were asked “Have you ever contributed to local road construction?”, and “What form of contribution? (Labour; Meetings; Funds; Other)”.

Many respondents who contributed for roads (12 percent) reported attending meetings to coordinate fundraisings or construction, with the vast majority of these also contributing their labour. This highlights the extent of community involvement and oversight of these road projects as well as the role of these projects in community sociality.

There is substantial variation across townships in financial contributions: just under half of respondents who assisted in road construction in Taungoo reported making a financial contribution, compared with less than 5 percent in Thandaungyi township. This suggests that road projects that are either predominantly community financed or coordinated with government authorities are more common in central Myanmar (Taungoo) than in mountainous and less prosperous areas of northern Kayin State, despite similar proportions identifying local roads as ‘self-reliance’. More broadly, respondents seemingly understand contribution to public goods provision as implying a sense of ownership or responsibility over the project, minimizing attribution of the role that government assistance plays in the co-delivery of the specific road or electricity project.

Poverty analysis of road contributions finds that contributions to public goods are weakly progressive, with middle-income and rich households more likely than poor household to contribute monetarily to public goods provision and attend project coordination meetings. However, similar proportions of all wealth quintiles contributed their labour to various public goods projects.⁴⁴

⁴⁴ This suggests that informal taxation broadly defined may be regressive as poor households contribute equally alongside the wealthy. Depending on the daily rate at which the labour of wealthier households were valued an argument could be made that informal taxation may be progressive as the opportunity cost for richer individuals to contribute would be higher than for poor households.

IN-DEPTH: Conflict legacies and informal taxation for public goods

The legacies of civil conflict can have complicated implications for patterns of informal taxation and public goods delivery. For example, the survey found that respondents in mixed-administration Thandaungyi, where a cease-fire was reached in 2012, were just as likely to contribute labour to roads as respondents in Bago Region. However, respondents in Thandaungyi contributed almost no funds for local road construction, with a tiny proportion (<1%) of middle-income households being the only population who contributed monetarily for road expenditure. This is in contrast to Taungoo, where respondents were much more likely to contribute monetarily for construction of local roads.

Interviews with CSOs in northern Kayin State suggest that the major reason for this variation in monetary contributions between townships is the legacy of conflict in Thandaungyi. Systems of state-mediated informal taxation and state-citizen cooperation often led by traders, which were encouraged to develop by military commanders in areas under government control after 1988, are comparatively more developed in Taungoo. In this context, a larger proportion of respondents in Taungoo reported contributing financially for public goods such as roads, many of which were financed almost entirely by the local community in coordination with headmen and other authorities.

As a result of conflict and mixed administration in northern Kayin State, however, these norms and practices of state-community financial contribution to road construction did not develop in Thandaungyi. In particular, the KNU actively discouraged the construction of any roads apart from motorcycle trails to prevent incursion of Myanmar government military into mountainous areas. Despite reaching a cease-fire in 2012, Thandaungyi respondents are much less likely to see it as necessary to contribute financially to road construction and are more likely to see roads as a government rather than community responsibility than respondents in Bago Region. As outlined earlier in this section, roads that are being built in Kayin State are predominantly government projects to which communities are expected or willingly make

Regardless of the degree of government involvement or contribution to a project, case-study two highlights that coordinators and participants are careful to maintain the perception that the project is 'charitable' and 'self-reliant' and thus distinct from the apparatus of government as this retains a sense of confidence in delivery, local ownership and merit. As explored in the concluding section, the systematic lack of trust and confidence in state institutions may undermine willingness to pay tax compared with contributing to non-state institutions, potentially creating a cycle that may reduce tax compliance and erode the capacity of state officials to deliver public goods in the first instance.

CASE-STUDY 2: Hybrid state/non-state ‘charitable’ road provision

Ward Two in Taungoo is an urban ward with a population of around 4000 people. A number of major roads in the ward were repaved in 2015 by the municipal government from the yearly capital expenditures budget. However, there was insufficient budget for retarring of many arterial roads or maintenance of the local drainage system. The headman for the ward subsequently coordinated local traders and merchants to carry out the tasks. Following a meeting with over 30 local traders, whose primary residence or businesses were within the ward, a commitment was made to provide the funds necessary for retarring of the potholed arterial roads and digging of new drainage ditches. It is unclear how streets were prioritized, though there was agreement amongst the headman and village elders that these were the worst roads in the ward.

Once in-principle agreement had been made about financing the roads from donations within the ward, the headman and ward elders approached Taungoo municipal government for assistance with budgeting and planning. The municipal government provided advice on how much money would be required in order to contract the municipal government for retarring of the prioritised roads, on a private contract basis.¹ The calculated budget – around USD\$4000 – subsequently became the fundraising target of a donations campaign. This campaign emphasized that the poor state of these roads made the community unsafe since they were inaccessible by emergency services vehicles, such as fire trucks and ambulances. Social incentives were deployed throughout this process. In interviews with local traders, elders, and the headman, they repeatedly referred to the fact that their contribution was ‘spiritually meritorious’ since it increased access and ease of passage through the community, and thus improved security and safety. Whilst also benefitting themselves and their businesses, the donations of money and time were seen first through Buddhist philosophy of merit as ‘compassionate’ and ‘loving’.

Required funds were raised within a few weeks of commencing the campaign and the ward headman and elders then finalized the contractual arrangement with the municipal government and commenced construction. Attributing public goods provision to ‘state’ or ‘non-state’ institutions is thus complex. Whilst conceptually distinct from construction of roads directly by the municipal council from road tax revenues in the township, this form of public good provision can still be seen as a form of state involvement in ‘informal taxation’ (see Olken-Singhal, 2011). However, this is a form of taxation that donors make significant efforts to frame as ‘charitable’ and distinct from the state, emphasizing the voluntary and spiritually meritorious nature of their contribution as well as the sense of directness and tangibility between donation and goods provided. Project leaders said that it was “not good” to talk about government involvement in the project as it would undermine the notion of the roads as ‘self-reliance’, ‘other-concerning’ and meritorious. In contrast to this sense of directness, ward elders and residents interviewed said they did not believe paying municipal taxes was meritorious as there was much weaker confidence that the money would be directed toward public goods delivery.

Informal contributions to electricity provision

Over a third of respondents (35 percent) reported helping to bring electricity to the local community. Provision of labour in erecting poles and wires was the most common contribution (71%), though monetary contributions were also quite common (21 percent). Community participation in electrification was widespread, with 21 percent of households who contributed to electricity attending meetings.

The below figure illustrates the forms of contributions to electricity projects according to household wealth both in connecting to the grid and in local generation projects. The data suggests regressive dimensions to informal taxation for electricity, with poor and poorest households more likely to contribute labour than rich households. However, rich and middle-income households accounted for the bulk of those who attended meetings, whilst proportions of those who contributed just funds or funds and labour was similar across poor (36 percent), middle-income (34 percent) and rich households (34 percent).

Contributing labour may be an important mechanism of regulating and ensuring transparency in a project. The shared nature of public goods provision in the form of labour also suggests that strong horizontal ties within communities may often be developed within communities through these projects.

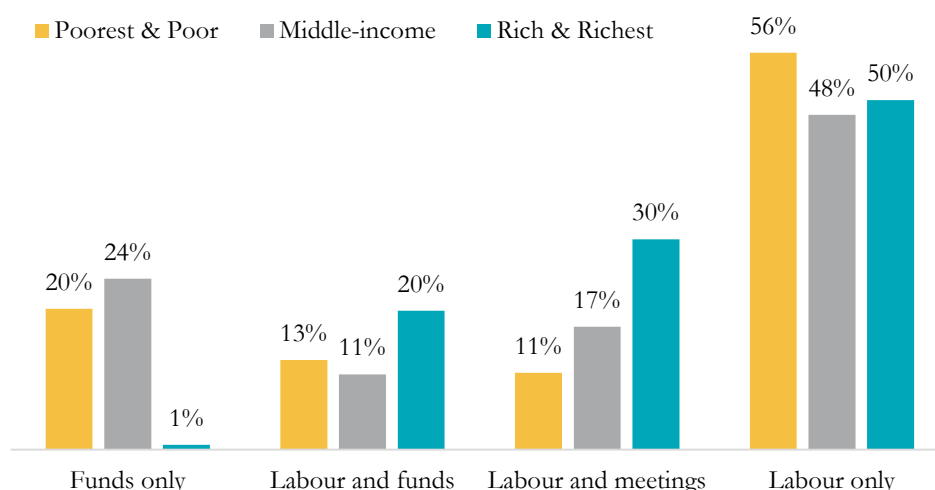


Figure 9 Types of contribution made to electricity projects

Note: Respondents were asked “Have you contributed to electricity projects in this area?”, and “What form of contribution? (Labour; Meetings; Funds; Other)”.

Similar to roads, Thandaungyi respondents were much less likely to have contributed monetarily to electricity projects than in Taungoo with 65 percent of Taungoo respondents reporting financial contributions for electricity, compared with less than 20 percent in Thandaungyi.⁴⁵

The comparatively small amount paid for access to electricity in Thandaungyi highlights that the public-private partnerships that operate in some areas of Taungoo and require substantial co-payment by the local community are rarer in the northern

⁴⁵ This is born out in the proportion of respondents who reported having to pay for poles, transformers and wires in Taungoo (59%; 72%; 64%) compared with Thandaungyi (20%; 28%; 35%).

Kayin State. This may be linked to the 2012 KNU cease-fire with the Myanmar military and government that has seen an expansion of government development projects and a reluctance on behalf of local civil servants to tax communities who have lived through long-term conflict between the Karen National Union and the government.

Popular perceptions of state and non-state taxes/contributions

How do people view the fairness, legitimacy, and redistributionary dimensions of state and non-state fiscal contributions? Informed by earlier work on government revenue, taxation and democratic quality,⁴⁶ the survey included questions probing perceived legitimacy of financial contributions – especially taxation and the redistributive capacity of the government. Below are the major outcomes, first for formal taxation and second for contributions and donations (informal tax) to non-state actors.

Authorities right to tax

Respondents were asked if they accepted the right of authorities to tax the local population. The largest group of respondents said that they agreed (35%), though a sizable proportion avoided a statement or said they didn't know (28%).⁴⁷ Household wealth was a strong predictor of response, with respondents in the bottom two poverty quintiles (poor and poorest) in both townships much more likely to say they didn't know. In contrast a large majority of the wealthiest two quintiles (rich and richest) said they agreed compared with 37 percent for the poor and poorest. These patterns illustrated below point towards a relationship between wealth, actual payment of taxes and perceived legitimacy of government taxation.⁴⁸

⁴⁶ See Levi, M. 1998. *Of rule and revenue*. Berkeley, University of California Press and on specific survey instruments see Levi, M. and Sacks, A. 2009. Legitimizing beliefs: Sources and indicators. *Regulation & Governance*, 3: 311–333.

⁴⁷ There was some small significant variation across townships, with Taungoo respondents less likely to express an opinion and Thandaungyi respondents polarised between strongly agree and strongly disagree. Many more people strongly and somewhat agreed in urban areas, while proportionally more in rural areas said they didn't know.

⁴⁸ In Taungoo, people that strongly agree with the right of authorities to tax allocated more of household expenditure on taxes. This was in contrast to Thandaungyi where neutral respondents allocated more on taxes.

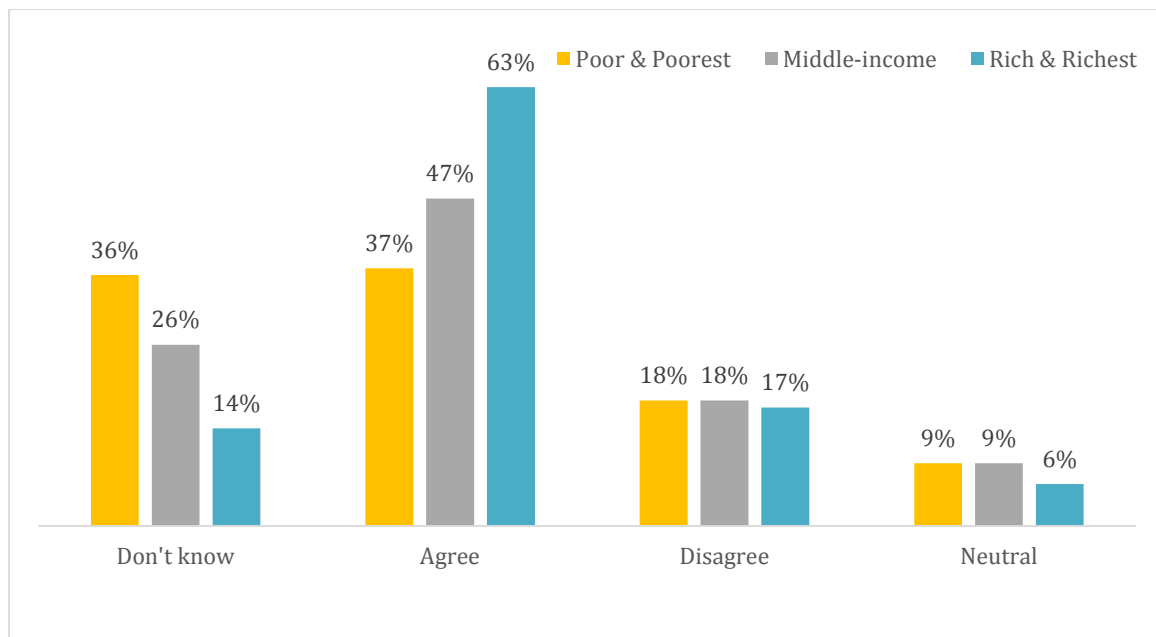


Figure 10 Does the government have a right to tax? (by HH wealth)

Payment of land tax was also a strong predictor, with respondents in Taungoo who reported allocating the most on taxes strongly rejecting the authority of the government to tax. Urban and rural areas were significantly different with people strongly and somewhat agreeing in urban areas, while much more frequently disagreeing in rural areas – a pattern potentially related to the regressive land tax regime noted earlier which appears to place a disproportionate burden on poor rural households compared with wealthier urban households.

Fairness of taxation

When asked if tax was fairly imposed, the largest group of respondents (38%) strongly rejected the proposition that authorities forced everyone to pay their taxes. This was followed by a large proportion (24%) who said they 'Didn't know'. Payment of land tax was again a strong predictor of response, with people who allocated the most to taxes - especially in Taungoo - most firmly rejecting the fairness of taxation. This highlights that those who currently carry the heaviest relative tax burden – middle income households – feel that the tax system is unfairly implemented. Similar surveys conducted in Nepal and Sierra Leone put these results into perspective, with 49 percent of rural Sierra Leonean respondents and 62 percent of Nepali respondents stating that state taxes are fairly applied and collected.⁴⁹

⁴⁹ The survey conducted for this study did not differentiate between perception of formal and informal tax contributions to the state (eg. income tax or licence fees compared with 'application payments' or bribes paid to government officials). Thus, these figures for Nepal and Sierra Leone are the combined assessments of both formal and informal taxes paid to agents of the state. See Mallett, R., Acharya, G., Sturge, G. and Uprety, P. 2016. 'Taxation, livelihoods, governance: evidence from Nepal.' Secure Livelihoods Research Consortium. London, pg 26; and Jibao, S., Prichard, W., and van den Boogaard, V. Forthcoming 2016. "Informal taxation in Sierra Leone." International Centre for Tax and Development Working Paper. Brighton, UK: ICTD, pg 15.

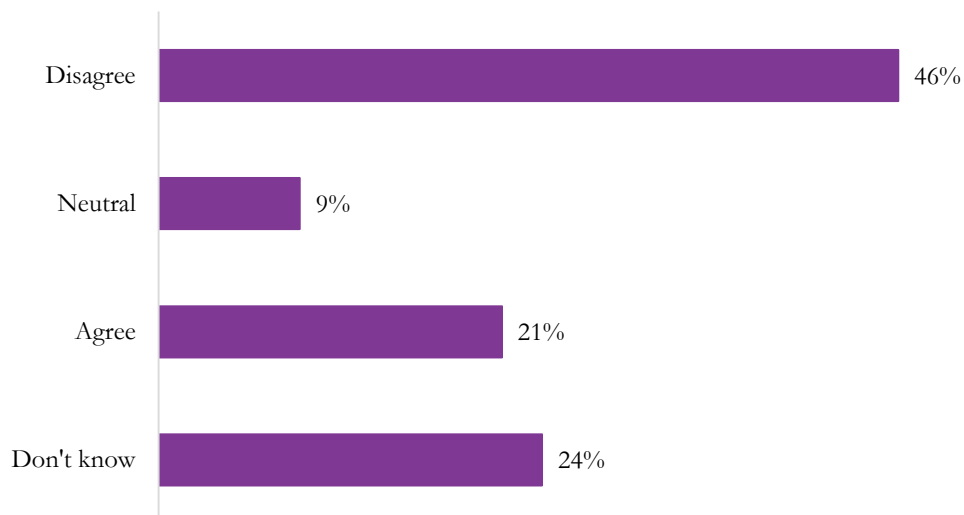


Figure 11 State tax is fairly applied (Percent)

Note: Respondents were asked, “If people do not pay their taxes, the authorities force them to pay. How strongly do you agree?”.

Trust in redistribution of taxation

On whether tax is redistributed effectively, a majority of respondents said they were unsure if tax revenues went to where it was needed most. Whilst there was little variation across poverty quintiles, more respondents in Thandaungyi (36%) said they were totally unsure about the redirection of tax than in Taungoo (26%) – an outcome potentially tied to dynamics of double-taxation in mixed-administered areas of the township noted earlier.

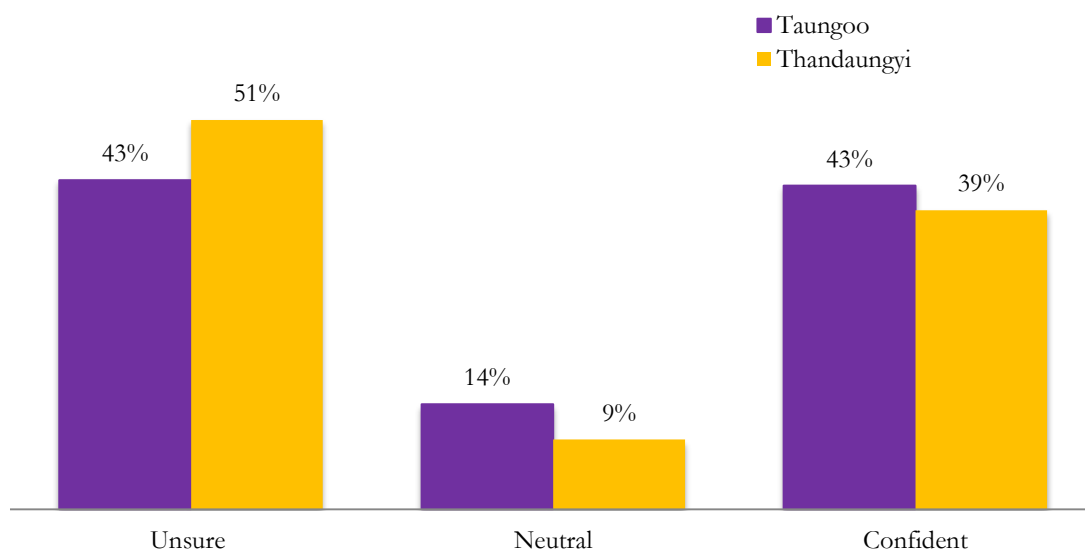


Figure 12 Confidence in tax redistribution (Percent)

Note: Respondents were asked “How confident are you that your taxation goes to where it is needed most?”

Notably, respondents in villages that received substantial government assistance through the Department of Rural Development’s Green Emerald loan scheme were

12% more likely to say they were ‘confident’ about tax redistribution, relative to villages that did not receive this support.⁵⁰ This statistically significant relationship reflects research which finds that receipt of assistance from the state has a positive impact on ordinary people’s perception of the government as an institution of social welfare provision and redistribution.⁵¹ Yet their assessment of whether tax was fairly imposed was similar to respondents in villages which received no such support from the government. This suggests that receipt of government assistance alone can improve assessment of the capacity of the state to redistribute from the rich to the poor but does not improve perceptions that taxes are fairly levied – a key element in legitimizing the fiscal contract between citizens and the state.

When asked whether it was fair if the tax they pay is spent elsewhere in Myanmar, almost half of all respondents (49 percent) agreed. In contrast, 24 percent said it should only be spent in the local community.⁵² There was significant variation according to household poverty, with larger proportions of middle-income (52 percent) and richer households (57 percent) saying it is fair compared with poorer households who were 10 percent more likely to say tax should only be spent in the local community. Similar variation was also reflected at a township level, with a much larger proportion of Taungoo respondents saying it was fair (59%) compared with Thandaungyi respondents, almost 40 percent of who viewed it as unfair for taxes raised in the local area to be spent elsewhere in Myanmar. Civil society and political party representatives interviewed in Thandaungyi shared this sentiment, arguing that the ongoing conflict in the area meant that “local needs” were the first priority. As one Parliamentarian commented: “only once Kayin State is developed could we consider sharing taxes elsewhere”.⁵³

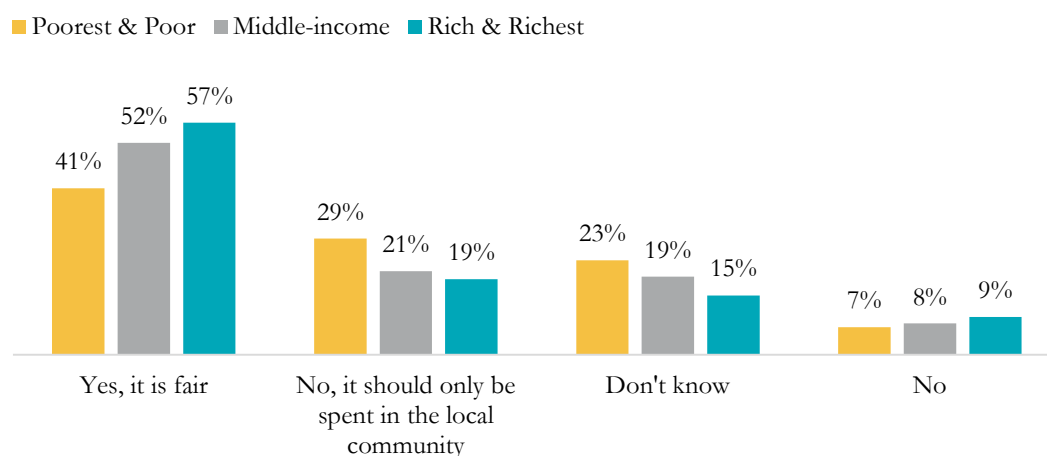


Figure 13 Fairness of tax redistribution translocally

Note: Respondents were asked, “When you pay tax, is it fair if the money is spent elsewhere in Myanmar?”

Tax as coercive or impactful

There is also a weak association between taxation and tangible outcomes, with the largest proportion of respondents saying that tax was best described as a ‘duty’ (B: tawun) (45%) – a term which carries negative connotations in Burmese of an action taken or contribution given under threat of coercion by authorities. After decades of arbitrary taxation by various institutions for which little or nothing was ever tangibly returned, it is unsurprising that many respondents have this association.⁵⁴ Interestingly, however, a sizable proportion of respondents said that tax was best described as payment for services (20.5%) or a donation for the welfare of others (20%) though as shown in the figure below these associations were much stronger in Taungoo than in Thandaungyi.⁵⁵ Receipt of assistance from government institutions was a strong predictor of the definition of tax, with those who reported receiving maternal health care from the state 10% more likely to say tax was best described as a payment for services or support provided by the state.⁵⁶ These indicators suggest that some association between taxation and tangible outcomes is beginning to develop, and that state support can have a significant impact on some aspects of the fiscal relationship with the state. Further research into various forms of taxation (user fees, asset taxes, business and income tax etc) and how perceptions of fairness and coercion may differ.

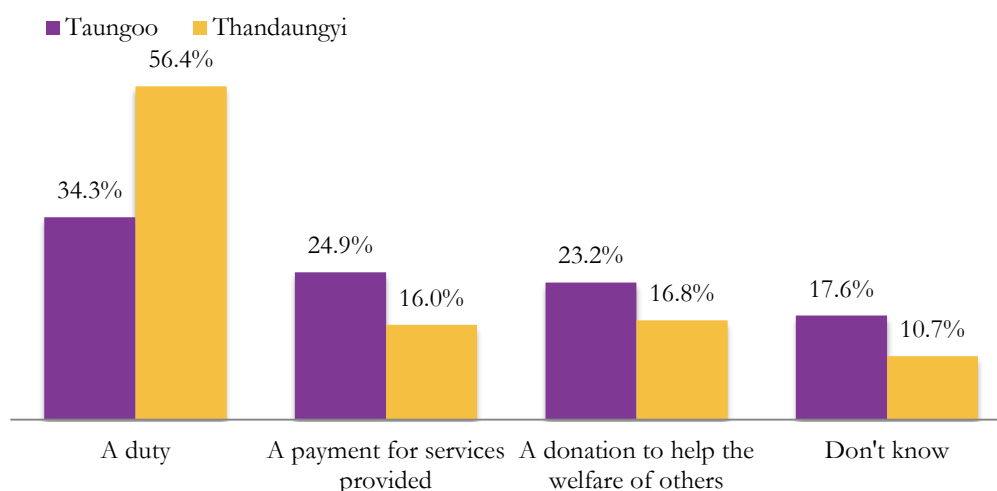


Figure 14 What is the best description of tax?

Note: Respondents were asked “What is the best description of taxation? A donation to help the welfare of others; a payment for services provided; or a duty?”.

Confidence in donations

⁵⁴ See Vicary, A. 2010. 'We have to give them so much that our stomachs are empty of food': The hidden impact of Burma's arbitrary & corrupt taxation. Report for Network for Human Rights Documentation, Burma.

⁵⁵ Responses varied on the basis of the proportion of the household's income allocated to payment of taxes, with those paying more in tax feeling they receive less from the government than their contribution, an indicator of a weakly legitimated fiscal contract. For discussion of legitimation of the fiscal contract see Levi, M. and Sacks, A. 2009. Legitimizing beliefs: Sources and indicators. *Regulation & Governance*, 3: 311–333.

⁵⁶ Of those who received assistance, 34% saw tax as a duty, 32% saw it as a payment for services and 20% as a donation for the welfare of others. Of those who did not receive assistance, 47% saw it as a duty, 19% as a payment for services and 20% as a donation for welfare of others.

Non-state contributions were perceived more favourably than state taxes. Respondents were overwhelmingly confident (85%) that contributions made to religious or charitable groups were redistributed to where they were needed most. These contributions were perceived as spiritually meritorious, and respondents were consistently confident that donations to these institutions were redistributed to the neediest members of the community both locally and elsewhere in Myanmar.⁵⁷ Similarly, the vast bulk of respondents (96%) who made contributions to road projects believed that their actions drew good spiritual merit or grace.

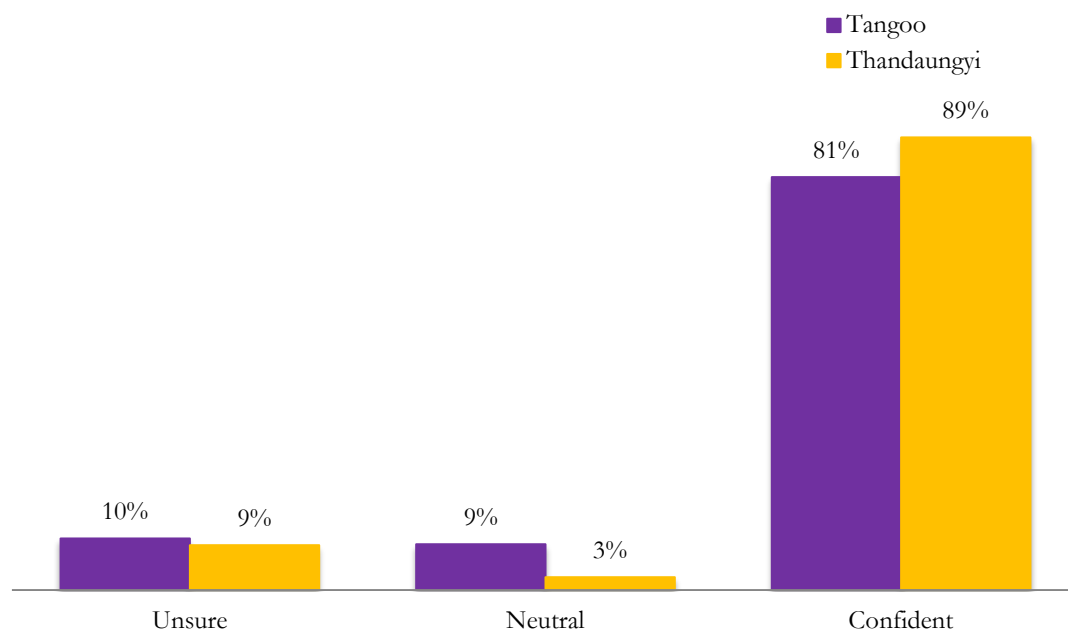


Figure 15 Confidence in donation redistribution (Percent)

Note: Respondents were asked “How confident are you that your donation goes to where it is needed most?”

Despite the largely local nature of most mechanisms of non-state assistance, the majority (72 percent) of respondents said it was fair that donations made locally to religious or charitable organisations were redistributed to communities elsewhere in Myanmar. Notably, this is a larger proportion than the 49 percent who said it was fair for taxes to be redistributed elsewhere in Myanmar, and is consistent across both poverty indicators and townships. This comparison highlights the prior observed degree of scepticism in the role of the state as a mechanism of redistribution as well as the trust and sense of transparency that a majority of people perceive in relation to charitable and religious donations.

Research from Sierra Leone finds similar popular assessments of the fiscal legitimacy of state taxation and contributions to non-state religious and charitable groups. While not identical methodologically, a study of formal and informal taxation in rural Sierra Leone found that over 80 percent of respondents thought taxes collected by central and local governments benefitted the local community ‘none of the time’. This contrasted with contributions to non-state actors, for which 82 percent of respondents

⁵⁷ Almost identical levels of confidence (>80%) were elicited when respondents were asked specifically if donations made to victims of Myanmar’s 2015 floods reached those most in need, reinforcing the trans-local nature of this confidence.

said that these contributions benefited the community “some of the time” or “most of the time” – echoing the same level of confidence in the redistribution of donations in this study.⁵⁸

One major reason for the level of confidence in non-state institutions in Myanmar is the element of directness between benefactor and beneficiary in many charitable and religious projects. As was seen in relation to the ‘self-reliance’ road projects discussed earlier, fundraising often occurs for a specific and visible deliverable such as the purchase of a new fence at a local school or the provision of a cash payment to a family who are suffering a health emergency. Local authorities such as a headman or volunteers from welfare groups will usually lead the fundraising campaign, often with the support of monks, pastors and other religious actors. For larger initiatives, these individuals will form a project committee to oversee fundraising, record and redistribute donations, and/or completion of a project. In projects observed, the discourse used throughout those fundraising campaigns focused on a specific suffering being endured by the individual or group – such as financial hardship, physical pain or health risks associated with poor road access. As a result, donations are framed as being spiritually meritorious as they are alleviating suffering, a key precept of Buddhist social teaching but shared in principle by all major religious communities in Myanmar. Once fundraising is completed, names of individual donors are imprinted on items purchased, and/or a list of contributions is made publically available – in some cases, in the local ward or village office.

This system of discursive framing, organisational oversight led by trusted local actors, transparency in budgeting, and evidence of tangible outputs is essential to understanding the confidence held by the vast majority of people that their contributions are redistributed to where they are needed most and that they are spiritually meritorious. State institutions could learn from the sense of directness and spiritual merit that forms the basis of this trust and legitimacy, a theme explored in greater depth in the conclusion.

Perceptions of Responsibility

Road construction and Electricity

Despite the significance of informal contributions to road projects, over 60 percent of respondents stated normatively that it should be the responsibility of the central government, municipal government or local government to construct roads. However, there is significant variation across townships in the role that respondents think the local community should play in road provision with 24 percent in Taungoo stating that the local community should play some role in public goods provision, compared with 11 percent in Thandaungyi.⁵⁹ Those who said that local community or non-

⁵⁸ See Jibao, S., Prichard, W., and van den Boogaard, V. Forthcoming 2016. *Informal taxation in Sierra Leone.* International Centre for Tax and Development Working Paper. Brighton, UK: ICTD, pg 19.

⁵⁹ 13 percent of respondents in Taungoo said it was the sole responsibility of the local community to build roads compared with less than 4 percent in Thandaungyi. Another 11 percent of Taungoo respondents said that it was the responsibility of the local community to provide roads in partnership

government actors should be responsible for building roads tended to have higher social capital and religiosity indicators than those who said it was the role of government. This suggests that involvement in various community activities such as participation in local road construction, often led by headman and other organs of the state, may cultivate an expectation of community contribution to public goods provision.

The majority of respondents (64%) also said that electricity is the responsibility of the central or municipal governments. A small proportion (<5%) said that electricity should be provided through community self-reliance. These findings highlights that the bulk of respondents continue see both road construction and electricity provision as a government responsibility despite the widespread practice of informal taxation.

Social welfare

With respect to social welfare, perceptions were very different. The importance of non-state mechanisms of social protection in Myanmar derives from strong perceptions of the responsibilities of citizens and non-state institutions in care. These sentiments were born out in the survey results, with 80% of respondents saying they thought monasteries, churches or mosques should be the primary carer for people when they suffer. This answer reflects the fact that decades of limited state support in social welfare has cultivated a void of care which has been filled through everyday people and non-state actors providing support for the needy.

The importance of non-state mechanisms of social protection in Myanmar derives from strong popular conceptualizations of the responsibilities of citizens and non-state institutions such as religious actors in caring and providing public goods. These sentiments were demonstrated in the survey results. When asked whether it is the responsibility of religious actors such as monasteries, churches, or mosques to care for people when they suffer, 80 percent of respondents said they either strongly or somewhat agreed. This answer was consistent across wealth indicators, with minor variations between townships.

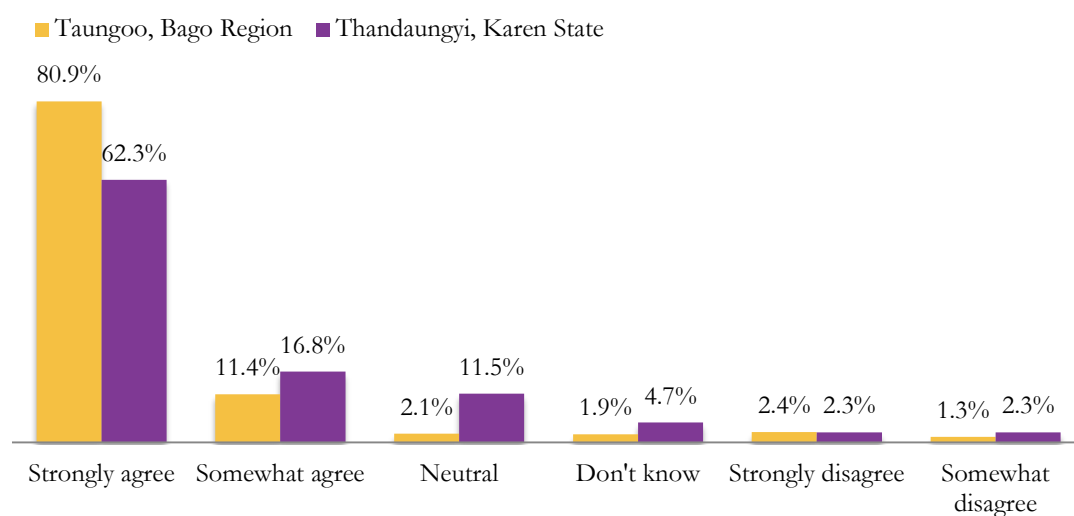


Figure 16 Religious institutions should be primary carer for suffering

with various other authorities such as the headman, municipal or township governments, central government or village elders (compared with 7.4% in Thandaungyi).

Note: Respondents were asked, “Monasteries, churches and religious institutions should play the main role in helping people when they suffer. Do you agree?”

Health Care

Contrasts can be drawn here with health-care provision, for which respondents relied upon government health facilities for treatment as well as private clinics and hospitals where available. Whilst perceptions of responsibility for health-care were not collected in this study, the health-care data highlights the practice of relying on a range of providers for different forms of support – with particularly strong expectations of family and local institutions to provide supplementary financial and in-kind support to pay for bills and medicine in government or private facilities, assist with transportation and post-discharge care. In this context it is unsurprising that when asked directly whether it was more important to receive assistance from government, neighbours/family, or both, almost half (49 percent) said that both were equally important (Figure X). Less than 10 percent of respondents said that the government was more important, highlighting a strong expectation on the role of family and local informal social welfare institutions in caring for the needy in the community.

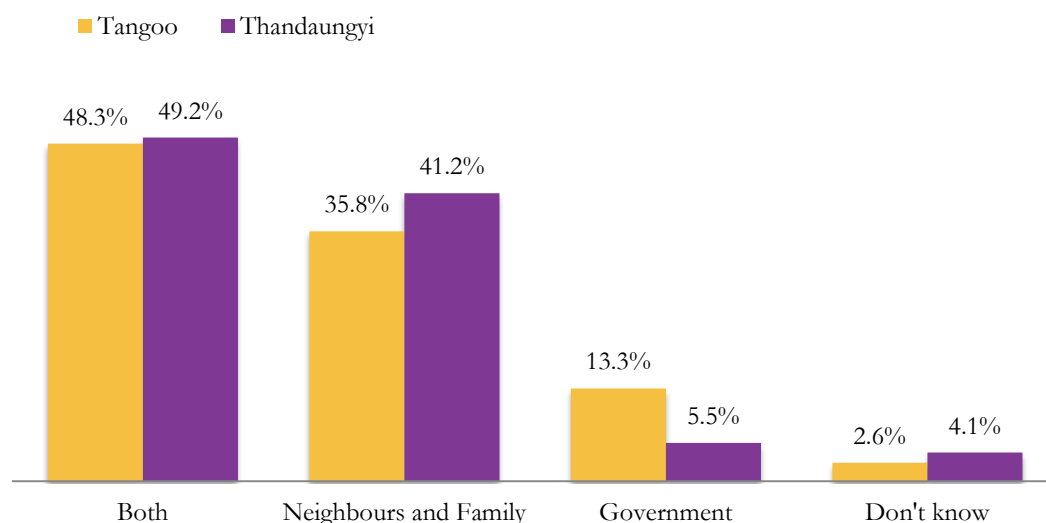


Figure 17 Importance of neighbours & family, and the government for care

Note: Respondents were asked, “Is it better for your neighbours to have a compassionate mind or for the government to give help to people?”

Proceeding with the expansion of individualised state social support without an appreciation of the various actors that everyday people rely on for care and public goods provision will miss the opportunity for important mechanisms of cross-accountability and hide the larger fiscal burden that contributions to non-state and state institutions of care and public goods comprise.

Conclusion:

The survey data presented in this section highlights that the fiscal and labour burden of providing care and public goods falls heavily on ordinary people and local communities. In addition to making contributions to state and non-state actors that comprise more than 12 percent of household expenditure, the preliminary data

presented here highlights that informal contributions to local public goods provisions are widespread in the sample townships. Indeed, they may be one of the major sources of financing for local public goods such as arterial roads and local electricity systems.

Moreover, the case-studies presented in this section highlight that there is a common practice of public goods being a ‘shared responsibility’ between ‘self-reliant’ communities and agents of the state. However, even in contexts where the state has provided substantial assistance to a road project, there is frequently limited popular acknowledgement of the contribution made by ‘the Government’ as an institution to these initiatives – even by village and ward head, who are technically local agents of the state. This lack of acknowledgement of the role of the government in projects is symptomatic of a deep lack of confidence in the capacity of state taxation and institutions to provide for ordinary people. After decades of arbitrary extractive taxation of ordinary people, especially in rural areas, scepticism remains rife about whether payments made to government departments or officials have any concrete impact on the local community or elsewhere in the country. One interviewee epitomised this sentiment, saying that paying taxes cannot be considered spiritually meritorious due to the perception that they benefit senior members of the military: “Why would I want to pay tax? The money just goes into the pockets of the Generals!” These sentiments are unlikely to fade without significant reforms to patterns of taxation – especially within local governance systems where the impacts of democratization have the potential to be felt most concretely. The sense of confidence in the impact of contributions to non-state providers of social support provides a stark contrast, with the directness between contributor and beneficiary imbuing a sense of accountability and thus spiritual merit to these donations. Expanding individualised state social support without engaging the broader range of providers of care and public goods may thus overlook an opportunity to incorporate important accountability mechanisms and thus improve effectiveness of donor and state welfare schemes.

Section 4: Conclusion and policy implications

This report has provided an insight into the dynamics of social welfare, taxation and public goods provision in contemporary Myanmar. Using mixed-methods data from two townships in Bago Region and Thandaungyi, Kayin State it has asked: how do systems of welfare, taxation and public goods work? How important are state actors relative to non-state actors, and how do people feel about them? And what does the structure of this system tell us about governance of economic and political life in these places?

The qualitative fieldwork and the survey conducted for this study suggest that local communities in both the sample townships contribute a substantial proportion of their income and labour for necessary services, such as health, roads, electricity and basic social assistance. Weak state provision has created opportunities for the emergence of both private provision as well as bottom-up forms of community-based collective action in both the government administered township and the mixed administration township. This is evidenced by the fact that individuals surveyed make substantial donations to religious-based and local community organisations, with 70% of the overall household tax burden accruing to non-government actors. If a similar dynamic prevails in other parts of the country (both areas under government administration and areas under mixed administration) this suggests that Myanmar people in fact carry a significant fiscal burden when tax and donations are combined.

Across both townships local networks of social support from families, neighbours, village welfare association associations and religious institutions were more significant providers of support for a range of services than the Myanmar Government. ‘Convergence’ of state and non-state institutions is thus not just an issue in areas under ‘mixed’ or armed group control but also in areas that have been under government administration for decades.

Cultivating popular associations between taxation, social welfare, public goods provision, and government responsiveness is essential to Myanmar’s substantive democratic consolidation. Improving perceptions of government as a capable provider is a major challenge, however, as policy-makers must come to grips with the extensive system of social support and taxation (formal and informal) that has evolved over decades of military rule. Further research on the interaction of state and non-state mechanisms of social protection and public good provision - especially in different kinds of government controlled and ‘mixed administered’ areas elsewhere in Myanmar - is now needed to inform and improve welfare outcomes and citizen-state relations more broadly over the coming years. What is clear, however, is that Myanmar’s newly elected governments at Union and state/region level, and the development partners supporting them, need to take this system of non-state support seriously as they seek to improve state service delivery, both in government-controlled and ‘mixed’ administered regions of Myanmar.

Moving forward, one option popular amongst policy-makers and donors is to expand state welfare without collecting more taxes from ordinary people. The preliminary data in this study suggests such an approach can have a substantial but concentrated impact on perceptions of government. For example, respondents in villages receiving substantial support from the state were consistently more confident about state capacity to redistribute funds than those receiving no such assistance. Yet, their assessment of the fairness of the overall tax system was no different from others, suggesting that receipt of government support does not override regular experiences of an inconsistent or extractive system of taxation and governance.

If popular perceptions of the Myanmar state are to improve, expanding state social services must therefore be coupled with substantial reform in how formal taxes are levied, redistributed and spent within a more decentralized governance system. This is particularly important as downward mechanisms of accountability and oversight at the local level are essential to both the development of effective social protection schemes as well as democratic consolidation more broadly.⁶⁰

A number of options present themselves.

First, state authorities looking to boost tax revenue or roll-out the planned National Social Protection Strategy could partner could develop and coordinate activities with non-state welfare institutions. One option may be to develop strategies for achieving social protection outcomes at a township level, allocating specific service-delivery and oversight responsibilities to a range of state and non-state actors. Such strategies could seek to take advantage of state efficiencies – for example in construction of clinics or hospitals – whilst leveraging non-state efficiencies in information dissemination, fundraising and transportation, in the process fostering relationships of oversight and building faith in the government as an effective provider of care and public goods. Given the limited capacity and experience of government bureaucracy in redistribution amongst citizens, and the lack of citizen faith in the government to provide social protection, complementing direct support from Union ministries to targeted populations with other collaborative approaches is strongly advisable.

Relatedly, local agents of the state could partner with welfare groups to collect state taxes in return for a proportion of revenues being redistributed directly to local social protection schemes. Given the esteem with which welfare groups are held by their local communities, their engagement in tax collection – especially if linked to specific and tangible townships or municipal welfare and public goods projects - could build faith in government and establish stronger associations between tax payment and concrete social outcomes. Particularly for local governance where the evidence of state action may be felt most tangibly by the community, incorporating mechanisms of trust and directness from non-state actors into the operations of the state could also help cultivate an association between state taxation, positive social impacts, and thus spiritual merit.

⁶⁰ On the importance of social accountability mechanisms in successful social protection schemes, see Hickey, S. and King, S. 2016. 'Understanding Social Accountability: Politics, Power and Building New Social Contracts'. *The Journal of Development Studies*. 52:8. 1225-1240. On the relationship between government services and participation in government see MacLean, L. 2011. "State Retrenchment and the Exercise of Citizenship in Africa". *Comparative Political Science*. 44.9 p. 1238-1266.

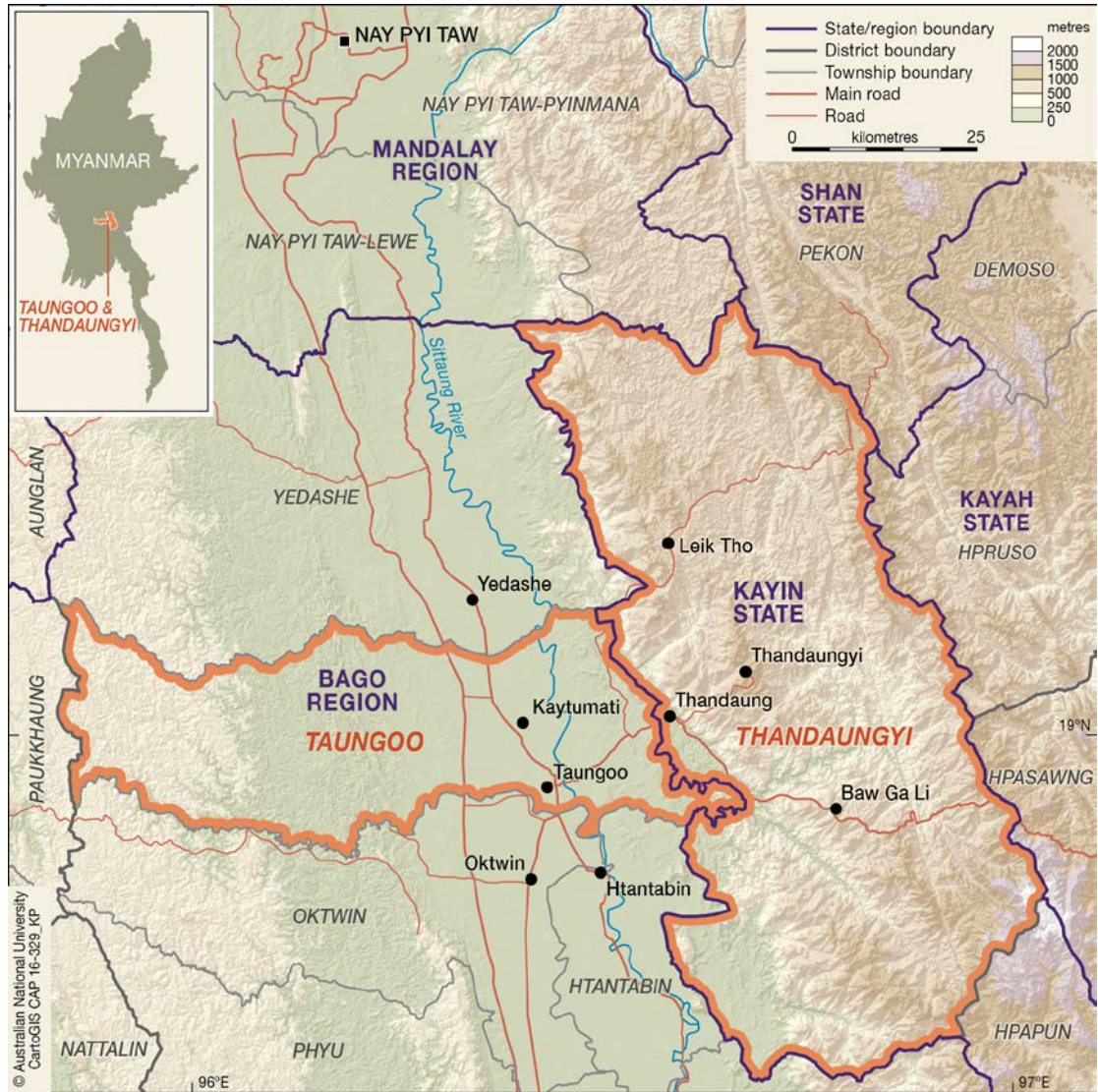
Second, non-state welfare networks could be important nodes for the dissemination of information about existing government schemes, especially informing everyday people of their entitlements. One example is the Social Security Board, an employer-employee co-contribution social insurance scheme managed by the Ministry of Labour Employment and Social Security (MLESS) that covers treatment at medical clinics, hospital bills, surgeries, and payments for funerals of the deceased. The scheme has enrolled almost 1 million members, though the vast majority rarely makes claims from the scheme because many are unaware of their entitlements. Partnering with local welfare groups to inform SSB members of the support accessible to them could be a simple way of leveraging non-state information networks to enhance social protection outcomes.

Third and at a functional level, agents of the state could learn how non-state contributions cultivate such trust and legitimacy. Clearly communicating both the problem being addressed by a project and the proposed solutions, emphasising directness between contributor and beneficiary, promoting the meritorious nature of financial and labour contributions, and offering social recognition for payments could all help build the legitimacy of Myanmar's tax system and government apparatus more broadly. Enlisting trusted local actors into positions of organizational oversight and disseminating evidence of tangible outputs could play a critical role in ensuring local trust in taxing authorities.

Finally, any attempt to increase formal tax collection and improve social protection outcomes must be grounded in a realistic assessment of both formal and informal taxes and contributions (including contributions of labour) made by households to state and non-state actors for social support and public goods provision. Reforming and improving state mechanisms of taxation is essential to cultivating trust in the state as an institution of care and redistribution and must become a key element in ongoing decentralization and local governance reforms.

The political and economic transitions now underway in Myanmar have opened the possibility of real change in how the state supports and provides for citizens in need. Greater commitment to state welfare and public goods provision must be coupled with a willingness to learn from non-state actors in order to improve social protection outcomes and address the ingrained scepticism of the state amongst Myanmar's most vulnerable people.

Appendix I: Topographical map of sample area



Appendix II: Methodology of Survey

The overall sample was stratified twice: firstly by urban (40 percent) and rural respondents (60 percent) to reflect Myanmar's predominantly rural population whilst maintaining a large enough urban sample to make meaningful comparisons and conclusions.⁶¹ The rural sample was also stratified at the village level on the basis of receipt of substantive government assistance, with half of the rural sample comprising Department of Rural Development 'Green Emerald' villages.⁶²

1002 households were interviewed for the survey, equally split between the two study townships. Respondents were recruited according to systematic random sampling at three levels: landmark sampling, interval sampling and household member selection (Kish grid). Interviews were conducted by trained researchers from Yangon School of Political Science, including specially recruited Sgaw Karen speaking enumerators. All interviews in Taungoo townships were conducted in Burmese language. Of interviews in Thandaungyi township 35 percent were conducted primarily in Sgaw or Bwe Karen and the remaining 65 percent in Burmese.

The survey instrument was developed by the author and included a range of household level questions - including income, expenditure and wealth along with recent receipt of social assistance, payment of taxes and donations – as well as an individual social and political opinion survey. Questions included religious and civic involvement, as well as opinions on a range of normative questions about the role that non-state and state institutions should play in welfare and public good provision. For more information about the economic and poverty characteristics of both townships based on this data, see Appendix III.

Sampling frame

The survey was conducted in both rural and urban areas of Taungoo and Thandaungyi townships in March 2016 by a team of twenty-six researchers recruited and coordinated by project partner Yangon School of Political Science (YSPS).

For the 500 households in each township, a simple 40% urban and 60% rural stratification was adopted. In order to achieve a relatively representative sample across both urban and rural areas, as well as to simplify the logistics of data collection, a simple sampling frame of 25 households in each selected ward or village

⁶¹ As a result of this sampling method, the overall sample is more urban (40 percent) than the relevant 2014 census data for Bago (22 percent) and Kayin State (22 percent). See 'Population and Housing Census of Myanmar, 2014', Ministry of Immigration and Population.

http://countryoffice.unfpa.org/myanmar/drive/Census_Provisional_Results_2014_ENG.pdf

⁶² For more information on the 'Green Emerald' programme see Robinson et al. 2015. 'Local development funds in Myanmar'. Yangon: The Asia Foundation.

was adopted. A total of 8 urban wards and 14 rural villages were thus selected in both Taungoo and Thandaungyi.

Urban sample

In Taungoo, urban wards were selected on the basis the number of households in each ward or village group listed in the 2014 census. The 8 most populated wards were then selected.

A slightly different approach was adopted in Thandaungyi, where as a result of differing settlement patterns the township contains four separate urban areas. In this case, the two most populated wards were selected from each of the four municipal areas - Thandaungyi, 13 Mile, Leiktho and Baw Ga Li.

Rural sample

In rural areas the sample was stratified further to capture whether receipt of significant government assistance in a particular village impacts indicators of civic participation, access to services as well as perception of the government in service delivery and taxation.

Selection of villages involved two stages. First, village groups in each township were ranked by population according to the 2014 census.⁶³ Then the seven most populated village groups which contained a village receiving assistance from the Department of Rural Development ‘Green Emerald’ village were selected.⁶⁴

The Green Emerald project, run out of the Department of Rural Development, is a loans and community development scheme. Since 2013 the scheme has been providing 30 million kyat in loans and additional services to selected villages across Myanmar – both in Bamar-majority and ethnic-minority states. Importantly, the scheme operates in areas under mixed government and armed-group administration where cease-fires have been reached – including in Thandaungyi.⁶⁵

Fifty (50) interviews were then conducted in each selected village group, twenty-five in the relevant Green Emerald village and twenty-five in a ‘control’ village in the same village group that was not part of the scheme.⁶⁶ This approach was designed to

⁶³ As of early 2016 the village group or tract level was the lowest administrative tier for which 2014 census data was aggregated and made publicly available. A single village group commonly contains numerous individual villages, each containing an average of around 100 households. This thus allowed us to select two villages within each village group for comparison - one on the basis of the treatment variable (Green Emerald) and another control village.

⁶⁴ For the 2013-2016 period, Taungoo contained 21 Green Emerald villages across 20 village groups. Thandaungyi contained a total of 17 individual Green Emerald villages, distributed across 12 village groups (thus five village groups contained two Green Emerald villages). This data was obtained from the township Department of Rural Development and General Administration Department offices in Taungoo and Thandaungyi. My thanks for their assistance.

⁶⁵ For more information see Robertson, B. et al, (2015), ‘Local development funds in Myanmar’, The Asia Foundation, Yangon.

⁶⁶ Upon arriving in a village, supervisors met directly with local village administrators to determine whether the village was or was not a participant in the Green Emerald program. In one village in Thandaungyi township the 30 million kyat in available loans provided to a village formally participating in the ‘Green Emerald’ program had been informally split equally with two other villages in the same village group, ostensibly by administrators in the interests of equality and community

ensure comparison of like-with-like cases for both the treatment and control group when identifying the extent of the ‘Green Emerald’ effect.

Randomization of Respondent Selection

Three methods of random sampling were deployed in data collection to ensure systematic randomization: landmark, interval and – unless impossible due to unavailability of respondents – random selection of the gender and age of respondents using a Kish grid.

Upon arrival in a village or ward, the supervisor for each team met with the village or ward headman and each interviewer was selected to determine the actual population in the village based on their own data. Based on the number of households, an interval between each household was calculated for that individual ward or village. In urban areas this averaged around 30 households, and in rural areas 3 or 4 households between each interview. If a refusal was encountered in an urban area where a full interval would require a significant walk (over 500 metres in some contexts) respondents continued their walk another two houses in order to conduct an interview in the area of the original interval.

Landmarks from which individual interviewers commenced their walk through a ward or village were chosen randomly accordingly to a grid of prioritized landmarks available in the area.

Upon arrival at the household, individual respondents were then randomly chosen on the basis of their gender and birthday according to a Kish grid. In the case of the selected respondent being unable for interview, the household head was selected instead.

cohesion. Given the diffusion of the treatment variable in this context, interviewers then proceeded to the next most populated village group containing a Green Emerald village in Thandaungyi township.

Appendix III - Poverty indicators and quintiles

All respondents were allocated a poverty score on the basis of a series of household asset and wealth indicators recorded during the interview, which were then grouped into five ‘poverty quintiles’ for ease of analysis.⁶⁷

Based on this poverty scorecard, middle-income households represented the largest segment of the sample (44 percent) followed by poor households (34 percent), rich households (14 percent) and poorest households (7 percent). Richest households comprised less than 1 percent of the sample. Due to variation in the economic base of the two townships – Taungoo a mixture of agriculture and trade while Thandaungyi is heavily reliant on less profitable plantation agriculture – the proportion of middle income and rich households was over 10% larger in the former compared with the latter (Figure 1).

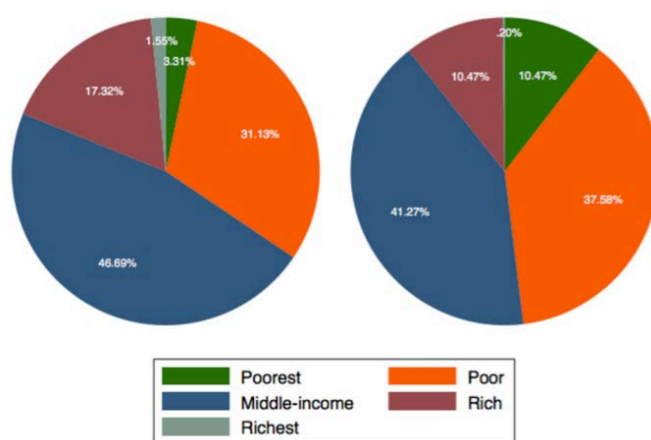


Figure 1 Poverty indicators for respondents in Taungoo (left) and Thandaungyi (right) township.

When urban and rural areas are differentiated, the poverty profile of rural respondents is of a comparable composition to the nationally representative Myanmar 2009/2010 Integrated Household Living Assessment.

Below are the poverty likelihoods for each quintile across the entire sample, based on the look-up table for scores in Schreiner (2012: 4).

⁶⁷ This scorecard was adapted from Schreiner, M. 2012. “A Simple Poverty Scorecard for Myanmar”. Research paper commissioned by United Kingdom Department for International Development.

- The median score for respondents in the poorest quintile (n=68) was 16. This means 75% chance of living on less than \$1.25 per day and 33% chance of living below the USAID Extreme Poverty line.
- The median score for respondents in the poor quintile (n=343) was 32. In the poor quintile, there is 35.1% chance they will live on less than \$1.25 per day, and 99% chance of less than \$2.50. 13% likelihood of being below the USAID Extreme Poverty line.
- The median score for respondents in the middle-income quintile (n=441) was 50. For middle-income quintile, there is a 5% likelihood of living on less than \$1.25 per day, 2% below the USAID Extreme Poverty line and 86% chance of living on less than \$2.50 per day.
- The median score for respondents in the rich quintile (n=141) was 67. In the rich quintile, there is no chance of living below the USAID Extreme poverty line and 49.5% chance of living on less than \$2.50 per day.
- The median score for respondents in the richest quintile (n=9) was 83. For this small group, there was no chance of living below the USAID Extreme poverty line and 19% chance of living on less than \$2.50 per day.

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