

Final report

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Informal practices and unwritten rules are important features of the business environment in Myanmar. One of the most common ways that these practices are manifest is through informal payments and contributions (hereafter called informal payments, for simplicity) that have some connection to the public realm. Informal payments can have a significant effect on individual businesses and the overall economy. They can affect business performance by diverting capital from other, more productive uses. They can take time for business owners and employees, and distract attention from other aspects of running the business. They can affect policymaking and the incentives of the civil service to implement laws and regulations. They can create vested interests that may oppose reforms if they challenge their informal revenue streams. They can also provide some useful information, for example when businesses offer different levels of informal payments which inadvertently sends a signal about the degree to which different businesses value the good/service.

Informal payments can have a range of characteristics and drivers. They sometimes work as a supplement to fund public goods and services that could not be delivered through formal tax revenues alone. This may be because the overall level of tax revenues is too low, or revenue allocation is suboptimal. They can be a salary supplement for civil servants, some of whom work for wages far below private sector levels in Myanmar. Informal payments can be collected by ethnic groups that, while not being the government of Myanmar, have a degree of legitimacy and provide some types of public services. This often happens in Myanmar's conflict affected areas, where rule of law and the distinction between 'formal' and 'informal' is not clear.¹

Despite the importance of informal payments to the private sector in Myanmar, the level of knowledge about them is low. This briefing paper aims to provide an overview of informal payments paid by businesses in Myanmar. Payments can include taxes, fees, charges or any other monetary transfer. Contributions can include any non-monetary items, such as goods, as well as contributions of time, labor or other intangible but valuable services. In the context of this paper, informal means that the payments and contributions happen outside the legal framework of the Myanmar government. It does not mean that they are perceived as illegitimate, only that they are not expressly defined in law or regulations. It also does not necessarily mean they are 'corrupt'. The paper looks only at informal payments that involve a public official in some way, but we broadly define public official as anyone performing a public role for the government or a group that has both legitimacy and power projection capability. We do not look at business contributions to social organizations such as monasteries or NGOs, though acknowledge the important role of these organizations and the regular contributions of businesses to them.

¹ Given the lack of established rule of law and prevalence of actors with some degree of legitimacy that exist without formal sanction from the Myanmar government, it is likely that more payments and contributions in conflict areas qualify as informal.

There are a multitude of different informal arrangements implemented by a wide range of actors. Unfortunately data on these interactions is scarce, and is even more challenging to verify with receiving parties, due to the informal and variable nature of the transaction. As such the paper cannot measure or quantify the pervasiveness of informal payments, though we note that the World Bank's Investment Climate Assessment found that the proportion of firms in Myanmar "giving informal gifts or making payments is one of the highest in the region."² Instead, it will outline the diversity of ways in which informal taxes, revenues, and in-kind payments are mobilized by the government and other actors in Myanmar. The typographies are broad and meant to capture high-level similarities, while recognizing that informal payments can include characteristics of more than one of these groupings. With limited evidence, we try to illustrate the various ways in which informal payments are a burden for businesses, though acknowledge the need for further research in this area. The financial cost is evident, but informal payments also incur time costs and can be unpredictable, potentially creating near term challenges for some businesses. Informal payments are also part of the relationship businesses have with key parts of government, and those relationships are an important aspect of business success in Myanmar. Lastly, the paper identifies potential areas for future research than can address frequency, size, and potential policy solutions for these challenges.

The Literature Informal Payments and Informal Taxation

Informal payments as discussed in this paper is a broadly defined concept meant to cover a wide range of transactions. The academic literature covers these informal payments, albeit under a range of definitions including 'corruption', 'bribery', and 'informal taxation'. Before reviewing this literature, though, it is helpful to start with reviewing a few general definition of taxation. Prud'homme (1992) defines a tax as "a levy on households and enterprises (1) operated by a government (2) on the basis of a written law (3) for the provision of public services."³ This, he explains, is facilitated by the monopoly on coercion possessed by governments, though in Myanmar this monopoly on coercion is contested, adding to the complexity of these issues. Lough et al (2013: 10) provides a definition of tax burden that nicely illustrates the multiple motivations that may exist for tax payments. He defines this 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)."⁴ For the purposes of this paper there is no need to differentiate between taxes and fees – though it is worth noting that there are important differences between these in the literature on formal taxation.⁵

² World Bank, "Myanmar Investment Climate Assessment: Sustaining Reforms in a Time of Transition," Report No. 93848, January 2015, pg. iii.

³ Prud'homme, R. "Informal Local Taxation in Developing Countries," Environment and Planning C: Government and Policy, 1992, volume 10, pg. 2

⁴ Lough et al. 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.

⁵ While 'taxes and fees' are often lumped together, they have different characteristics. They are often distinguished by three characteristics: "(1) A user fee is designed to defray the costs of a regulatory activity (or government service), while a tax is designed to raise general revenue; (2) a true user fee must be proportionate to the necessary costs of the service, whereas a tax may not be; and (3) a user fee is voluntary, whereas a tax is not."⁵ Michigan Supreme Court, quoted in Foundation for Economic Education, "A tax is not a user fee," <http://fee.org/freeman/a-tax-is-not-a-user-fee/>.

The most directly relevant body of academic literature for this paper covers informal taxation, however this concept has numerous definitions in the literature. One of the earlier conceptions of informal taxation comes from Prud'homme (1992), which broadly defines informal taxation as the “nonformal means utilized to finance the provision of public goods and services.”⁶ He outlines a typology with six distinct types of informal taxation, drawing largely on previous research in Zaire. They are:

1. ‘Pinch’ – “the part of taxes paid which does not accrue to the budgets of semilocal governments, but is siphoned off by tax collectors and administrators.”
2. Extortions – “payments made by citizens to employees of semilocal governments in relation to authorizations and rules”.⁷
3. Requisitions - when semilocal governments “ask enterprises or households to contribute to their activities”.
4. Contributions – the private provision of a service with a public-good nature of dimension, which cannot be considered as a normal private-sector activity.
5. Gifts – contributions for a specific purpose, made by individuals to private bodies, for provision of valuable or valued public services or infrastructure
6. Donations – semi-voluntary contributions used to improve public service quality and subsidize public servant incomes, specifically in the context of education in Zaire.⁸

More recent articles have put forward a range of conceptualizations of informal taxation, some more narrow and some more broad. Jibao, Prichard, and van den Boogaard suggest that informal taxation is simply “non-statutory levies by state or non-state actors”.⁹ Mallett defines informal taxation as “tax-like payments that (1) can be made to a range of actors, and (2) fall outside conventional legal definitions of what constitutes a tax.”¹⁰ Other articles have put forward a more narrow definition of ‘informal taxation’, notably Olken and Singhal (2011), who define informal taxation as a “system of local public goods finance coordinated by public officials but enforced socially rather than through the formal legal system.”¹¹ This definition has a number of limiting factors, including that informal taxation is local, used

⁶ Prud'homme, R. “Informal Local Taxation in Developing Countries,” *Environment and Planning C: Government and Policy*, 1992, volume 10, pg. 2

⁷ Prud'homme notes two reasons why ‘pinch’ and extortions should be considered as informal taxes: (1) they involve an out-of-pocket payment which does not provide any direct benefit in return; and (2) to the degree that they enable public servants to live and work, they can be viewed as helping to pay for the other public goods or services that those public servants provide.

⁸ Prud'homme, R. “Informal Local Taxation in Developing Countries,” *Environment and Planning C: Government and Policy*, 1992, volume 10, pp. 1-17.

⁹ Samuel Jibao, Wilson Prichard and Vanessa van den Boogaard, “Informal taxation in Post-Conflict Sierra Leone: Taxpayers Experiences and Perceptions,” *International Centre for Tax and Development, Working Paper #66*, March 2017, available at:

https://opendocs.ids.ac.uk/opendocs/bitstream/handle/123456789/12965/ICTD_WP66.pdf?sequence=1

¹⁰ Mallett, “Informal Taxation in Ungoverned Spaces,” *SAIS Review* vol. 36, no. 1, 2016.

¹¹ Olken and Singhal, “Informal Taxation,” 2011, pg. 1. This definition is the most narrow encountered in the literature and seems to be driven by the quantitative nature of the study. For their study, Olken and Singhal review data from World Bank Living Standards Measurement Studies, which in many countries include a question on household participation in collective construction of community works (this, of course, is what facilitates the multi-country examination.” Specifically the question asks “In the last 12 months did you personally or any other member of the household participate in any of the following ... participate in the collective construction of community works (roads, schools etc.)?” Defining informal taxation in the way they have done seems necessary

for public goods finance only, is enforced through social factors only, and involves a public official as a defining feature. Because the literature contains multiple definitions of informal taxation, and some of the payment types in Myanmar do not fit neatly in these definitions, we approach informal taxation as a subset of all informal payments made by businesses in Myanmar.

Another area of the academic literature worth noting deals with bribery in the public service, and specifically regarding bribery and corruption amongst low paid civil servants. Low wages have been identified as a factor driving some civil servants to collect bribes in order to earn subsistence wages, or when wages are far below those of the private sector. This behavior, while illegal according to the letter of the law, has been shown in some context to be viewed as legitimate because of the failings of the formal system to adequately compensate civil servants.¹² In some contexts, these ‘bribes’ could also be viewed as a salary supplement that is necessary in order for the civil servant to continue to deliver public goods and services. In these circumstances, bribes share a number of characteristics with an informal tax, and as such merit inclusion in a broad study about informal payments such as this.

In this paper, we address a broad range of informal payments, and group them into four different, non-exclusive types. These are:

1. Local informal payments or contributions, which are often voluntary or socially mediated, to support the delivery of local public goods or services (conceptually similar to Olken and Singhal’s “informal taxation”).¹³
2. Payments, contributions or quid pro quos for regional or national public policy purposes.
3. Payments or contributions directly to public officials (including gifts, bribes, etc.).
4. Conflict-linked payments, contributions or other financial arrangements, often though not always coerced.¹⁴

This paper addresses a range of informal payments and contributions, but does not cover the closely related area of economic costs that result from the government’s failure to deliver public goods and services. A simple way to illustrate this type of cost is the electricity system – the government provides electricity but due to its poor quality and regular failures, many businesses buy back-up generators. For businesses, the cost of not buying generators (in terms of foregone sales, production, etc.) may be greater than the cost of doing it. However, it is still an additional cost to the business, redirecting capital away from other uses. The costs of government implementation failures can be significant for businesses, although it’s very firm specific. One business interviewed by this author said that they spent

based on the data available for their review, however it should not preclude more broad conceptualizations of informal taxation and their investigation.

¹² See, for example, Reeves, Madeleine. “Clean Fake: Authenticating Documents and Persons in Migrant Moscow.” *American Ethnologist* 40, no. 3 (August 1, 2013): 508–24; Polese, Abel. “‘If I Receive It, It Is a Gift; If I Demand It, Then It Is a Bribe’: On the Local Meaning of Economic Transactions in Post-Soviet Ukraine.” *Anthropology in Action* 15, no. 3 (October 2008): 47–60; Rivkin-Fish, Michele. “Bribes, Gifts, and Unofficial Payments: Rethinking Corruption in Post-Soviet Russian Health Care.” In *Corruption: Anthropological Perspectives*, edited by Dieter Haller and Cris Shore, 47–64. London: Pluto Press, 2005; and IMF <https://www.imf.org/external/pubs/ft/issues6/index.htm>

¹³ Olken and Singhal, “Informal Taxation,” 2011.

¹⁴ Unsurprising that informal payments linked to conflict are more likely to be coerced, given the high levels of militarization and relative lack of established and legitimate rule of law.

20% of total sales on public infrastructure substitutes, including back-up phones, generators, fuel, and additional employees to oversee the back-up generator.¹⁵ Without having to spend money on these public capital substitutes they noted that they could either drop prices or spend more money on new product development. The economic costs of government failures can be significant for businesses, but are distinct from informal payments and as such outside the scope of this paper.

Historical Context of Informal Payments by Businesses in Myanmar

The relative prevalence of informal payments, and the low levels of formal taxation have roots in Myanmar's political and economic history. While the drivers stretch back to the colonial era and even before, for the sake of brevity we start from the 1962 coup, which brought a socialist military regime to Myanmar. This government, led by General Ne Win, nationalized large swathes of productive economic capacity and placed them under the control of government ministries to operate as state-owned enterprises (SOEs). At least in theory this gave the government numerous revenue centers outside of the formal taxation system administered by the Internal Revenue Department. In a socialist system, taxation of businesses would be of little importance, because the private sector itself would be of little importance. However, due to a lack of experience, knowledge and proper incentives, many of these industries experienced a precipitous decline. In response to this decline and continued consumer demands, smuggling and informal economic activity grew significantly over this time period.

There were some economic liberalizations after the political turmoil in 1988, however much of the economy remained under the tight grip of government ministries. For example, while the 1988 Foreign Investment Law opened Myanmar for the first time in decades to inward investment, the 1990 Private Industrial Enterprise Law forbid private businesses in a wide range of economic sectors, allowing only SOEs, joint ventures or ministry-licensed private businesses to operate. With a less than enviable record of enterprise operations, many ministries chose to license out the permission to do business in exchange for a share of the revenue. This allowed numerous ministries to raise sizable revenues outside of the country's formal taxation system, for example as "profits" from their ownership stake in a joint venture. The use of licenses has diminished somewhat since the Thein Sein regime, however 'non-traditional' revenue streams remain important to many ministries. The lack of a strong historical track record of formal taxation and significant economic informality are important antecedents to the present-day use of informal payments.

While Myanmar has a long history of diversified and non-traditional government revenue raising, it is also characterized by public service delivery from a range of state and non-state actors. At no point in Myanmar's history has any government exercised control over the entire geographical territory of the country. As such, there has never been a single state system for important public services such as health or education. Instead, public services have been delivered by a range of governmental and non-governmental organizations, including religious and ethnic armed organizations (EAOs, such as the Kachin Independence Organization (KIO) and Karen National Union (KNU)). Some services are delivered through informal, community level coordination that is not overseen by any organization. Public goods and services delivered through non-governmental organizations and communities are generally funded through 'informally' raised revenues, yet nonetheless play a vital and government-like role for the people whom they serve.

¹⁵ Author interview with business, Sagaing Region, 2014.

This complex economic history and political terrain is very important in understanding the pervasiveness and legitimacy of the many types of informal taxation that currently exist in Myanmar. It is beyond the scope of the paper to determine when a tax, whether it is formal or informal, is perceived as legitimate by the population. Therefore, the terms ‘formal’ and ‘informal’ used here do not carry any value connotation. A formal tax is not necessarily legitimate, and an informal tax is not necessarily illegitimate. A formal tax is simply one collected through the legally established channels of the government. Informal taxation is a catch-all, covering many other forms of revenue raising.

Types of Informal Payments

1. *Local informal payments or contributions, which are often voluntary or socially mediated, to support the delivery of local public goods or services*

Based on limited research to date, contributions to fund local goods and services seem to be commonplace in Myanmar. These types of contributions have already been reviewed by a number of other IGC publications in Myanmar, including McCarthy 2016 and Gadenne and Smurra 2016, though these deal with informal payments of households.¹⁶ We first review the research on households, before coming back to informal payments of businesses, the focus of this study. As McCarthy shows through his survey of 1,000 households in Myanmar, there are “numerous and well-developed localized mechanisms of risk-sharing, social protection and public goods provision operating across Myanmar.” These contributions/donations generally go to civil society, religious and other non-state organizations and can be significant in size – 8.5% of household expenditure, according to the study. Notably, this is more than double the amount that households were paying in formal taxes.¹⁷ Given the magnitude of these informal contributions, it raises an important policy consideration. Myanmar has one of the lowest levels of formal taxation in the world, according to the IMF,¹⁸ and is often encouraged to increase its total tax take.¹⁹ However, these critiques fail to consider the important informal payments that are commonplace in Myanmar, and tend not to inquire about public opinion regarding the most effective means to collect taxes and fund public goods and services.

These local informal systems are funded by a combination of formal and informal taxes that are characterized by either strong social pressure or coercive enforcement.²⁰ The McCarthy study reviewed the role of households as contributors to, and beneficiaries of informal taxation and social safety systems. Key characteristics of this type of informal taxation include:

- a. Contribution amount often self-determined.

¹⁶ McCarthy, Gerard, “Building on What’s There: Insights on Social Protection and Public Goods Provision from Central-East Myanmar,” International Growth Centre, Project Report, September 2016, available at: <https://www.theigc.org/publication/building-on-whats-there-insights-on-social-protection-and-public-goods-provision-from-central-east-myanmar-working-paper-2/>; and Gadenne, Lucia and Andrea Smurra, “Local Resource Mobilization: Key Principles and Options for Reform,” International Growth Centre, Final Report, November 2016, available at: <https://www.theigc.org/wp-content/uploads/2017/05/Gadenne-and-Smurra-2016-Final-report.pdf>

¹⁷ McCarthy 2016, pg. 21-22.

¹⁸ International Monetary Fund, “Myanmar: 2016 Article IV Consultation Staff Report,” February 2017, pg. 21 <https://www.imf.org/en/Publications/CR/Issues/2017/02/02/Myanmar-2016-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-44612>.

¹⁹ See, for example: <https://www.economist.com/asia/2017/11/16/myanmar-has-one-of-the-lowest-tax-takes-in-the-world>

²⁰ McCarthy 2016, pg. 7.

- b. Social pressure used to induce contributions.
- c. Revenues raised and goods/services provided are both local.
- d. Controlled locally.

While some research has been done on the informal payments of households, little has been done on the informal payments of businesses. Anecdotally, one of the most commonly cited informal payments by businesses is towards improvements of roads or infrastructure. Businesses owners frequently have to bear some costs related to local infrastructure improvement through a “cost-sharing” arrangement. For example, businesses located in a municipal area may work with the business that wants to improve the road in front of their location. The municipal government “may provide labor and machinery but the business would be asked to provide the construction materials.”²¹

The role of informal payments is also important in many of Myanmar’s industrial zones (IZs). While some IZs have systems of fees which fund zone infrastructure, others operate informally and depend on contributions to fund public goods and services. Businesses in zones are often required to be ‘self-sufficient’, building their own roads and buying their own transformers or joining together to do so.²² This raises complaints from businesses, who note that taxes paid to the Union government do not seem to find their way back to supporting the infrastructure needed for businesses to operate.

2. Coerced taxation, done without a legal basis, paid in cash or kind for the furtherance of public policy goals.

Forced taxation, done without a legal basis, is one way that the traditionally resource-poor Myanmar government has worked to achieve public policy goals. In order to do this, government will lean heavily on private businesses to make informal payments, contributions or take other actions that will help them achieve the public policy goals. However, because pressure and backchannel communications are next to impossible to verify, the examples given here rely solely on the shared views of business people.

While this type of taxation shares some common characteristics with corruption, in that both happen outside the law and often involve coercion, it is different from corruption because the revenue or in-kind contributions are not used for personal gain. In contrast with the “informal taxation” from (1) above, this type of informal taxation is often not local in nature, and the required action of the business is often a contribution or activity of some kind. Key characteristics of this type of informal payment are:

- a. Contributions are coerced by government.
- b. Often based on the reputation or profile of the business owner, specifically their wealth.
- c. Revenues raised are used for public policy goals, not personal enrichment of government staff.
- d. Revenues raised and goods/services provided are often though not exclusively national.
- e. Not locally controlled.

There are numerous examples of this type of forced taxation. One example is the heavy pressure put on garment factories to begin operations in Rakhine State. This is part of the government’s broader mantra that the answer for Rakhine’s longstanding issues is economic growth (as evidenced by the Union

²¹ Bissinger, Jared, “Subnational Governments and Business,” The Asia Foundation, p. 26, available at: <https://asiafoundation.org/publication/subnational-governments-and-business-in-myanmar/>

²² Robertson, Bart and Maureen Seng Taung, “Industrial Zones in Myanmar: Diagnostic Review and Policy Recommendations,” UNIDO and Freidrich Naumann Stiftung, November 2014.

Enterprise for Humanitarian Assistance, Resettlement, and Development), and the pursuit of public policy objectives that include employment creation and economic development in Rakhine State. However, many garment businesses view the potential to operate in Rakhine State not as an attractive business opportunity, but as a money-losing necessity. According to garment sector owners, some of the major challenges include:

- The additional transport costs to get materials to and from Rakhine State;
- The additional time needed to transport materials to and from Rakhine State, including costs of having working capital tied up for longer periods of time;
- Additional costs associated with logistics delays due to poor infrastructure and inclement weather;
- Comparatively low levels of productivity due to worker inexperience in the sector;
- Additional infrastructure backup systems needed.

Despite these issues, some local factories have commenced operations at Rakhine State. Given the views of some business owners, the coerced opening of these factories can be viewed as an informal contribution to government public policy objectives.

Another example of this coercive type of resource mobilization is the contribution to disaster relief efforts. Assistance in procuring and delivering supplies to affected communities after a natural disaster is certainly an important policy goal, however the means for obtaining this assistance has characteristics of informal taxation. While Myanmar has a strong culture of donations, some businesses have noted that post-disaster contributions are not fully voluntary. There were numerous stories of businesses being coerced to make various contributions after Cyclone Nargis in 2008. More recently, one business noted that in the wake of the 2015 floods, the government instructed them to assist in the movement of relief supplies to disaster affected areas, and noted they may have difficulty renewing their operating license if they chose not to assist.

Two examples from the implementation of labor legislation also illustrate this type of coerced taxation. One is the use of the country's labor conciliation and arbitration system as an informal avenue to provide unemployment benefits to terminated workers. The conciliation step of the labor dispute system hears all types of labor cases. Though conciliation normally involves a neutral conciliator helping the worker(s) and business find a resolution, numerous stakeholders in Myanmar have noted that the system places pressure on both parties to resolve the dispute. Individual disputes that cannot be resolved are supposed to go to court, while collective disputes to labor arbitration. Despite its original mandate, the arbitration system has been hearing all types of disputes, including those dealing with individual employee terminations. DLR officials, while having a broad mandate regarding labor relations, have been using the arbitration system that is outside of its legal mandate.²³

According to officials from the Department of Labor Relations (DLR), the arbitration system is charged with helping achieve both legal compliance and social justice, however these dual goals sometimes conflict. The individual termination cases often result in decisions for the worker based on 'social justice', with officials noting that because these workers do not have any income after losing their job,

²³ The policy of using the arbitration system for individual cases seems to originate from top officials in the Ministry of Labour, Immigration and Population, not from the township and state/region officials directly involved in the system.

they should be paid based on 'social justice' considerations despite the legal particulars of the case. The result has been a number of arbitration decisions that seem to defy law and create an additional, extra-legal payment requirement for businesses. These decisions can be viewed as coerced, because government uses formal enforcement mechanisms despite the lack of legal mandate. They often consider the reputation or profile of the business owner, a measure of their perceived ability to pay. While the enforcement generally is not done socially, social justice considerations play an important role in decision making. While the payment is to a single or small group of people (and therefore not strictly a 'public good'), the regular use of arbitration for these judgements can collectively be viewed as an informal unemployment insurance system, which could be seen as a public good. The use of the arbitration system for these purposes is also reportedly at the direction of the union government, even though implementation happens at the local and state levels.

The second example of coerced taxation is the payment of health benefits for workers who are supposed to be covered by the country's social security system. The Social Security system is mandated with providing employees who pay into the scheme with health care services delivered through clinics and hospitals operated by the Social Security Board (SSB).²⁴ The scheme is codified in law and funding is shared between workers and employers, who both contribute to the scheme. However, due to service delivery shortcomings with the SSB, workers are sometimes unable to access healthcare entitlements and instead go to private doctors. In these cases, workers sometimes bring receipts for medical treatment back to the business for reimbursement. Businesses sometimes reimburse these costs for workers, either as part of the employment agreement, because of a social obligation to pay, or due to fear that workers may complain to the government about non-payment. The result, though, is that the business is paying for medical services twice – the first time through its contribution to the social security board and the second time directly to the workers as reimbursement for care.

Informal payment and contributions are an aspect of the relationship between businesses and the government. However, they should not be viewed in isolation, but instead understood as part of the bigger relationship. Another aspect of that is the use by government of a *quid pro quo*, in which an individual or business agrees to make a contribution, done without a legal basis, in cash or kind, with an agreement that the government will provide some type of benefit to them in return. Due to their informal nature, these types of agreements are very hard to collect definitive information about. One example of a *quid pro quo* is the development of hotels in Nay Pyi Taw by a number of private Myanmar businesses. According to one private sector source, some businesses were "asked" to build hotels in the lead up to the ASEAN Games in 2014. Businesses decisions were influenced by the use of "carrots", not only the potential viability of the Nay Pyi Taw hotel, when investment decisions were made (average occupancy rates in 2017 were approximately 20%, suggesting that decisions were driven by more than undersupply in the marketplace for hotels in Nay Pyi Taw).²⁵

3. Revenue raising from households and businesses through informal implementation of the formal taxation system (corruption, bribery, gift giving, etc.).

²⁴ Note that only a small percentage of workers/employers pay social security board taxes and they tend to be concentrated among formal businesses and therefore around Yangon and Mandalay.

²⁵ Ei Ei Thu, "NPT Hotels Need Government Help," Myanmar Times, March 21, 2017. Available at: <https://www.mmmtimes.com/national-news/nay-pyi-taw/25400-npt-hotels-need-govt-help.html>

Informal taxation that occurs through the improper implementation of the formal tax system can sometimes enrich individual government officials. Corruption of this type is widespread, and has important and generally (though not always) negative implications for governance. Here, we are not concerned with “high-level” or “political” corruption in which top leaders manipulate the system to wildly enrich themselves. Instead, we are concerned with the “petty” corruption, or in Myanmar the “tea money,” that is often given by individuals or businesses in Myanmar to a civil servant. This payment is often linked to a service (provision of a police recommendation, expedited processing of a passport, etc.). Key characteristics of this type of informal taxation often include:

- a. Paid to civil servants, whose salaries are often below market levels.
- b. In exchange for a service.
- c. Not coerced, though it may be necessary and/or unavoidable.

Payments to public officials for their private benefit have sometimes been included by scholars in definitions of informal taxation, but excluded in others. The inconsistency reflects the complicated and often multifaceted nature of these payments. On the one hand, payments can often complement low public service salaries, thereby enabling public servants to deliver other public goods and services while receiving enough money to support themselves. On the other, public servants can exploit their public positions to extract payments beyond what is needed to support themselves and/or beyond a comparable private sector wage. The challenge is that an informal payment to a civil servant rarely fits into either one of these descriptions neatly. Key information about informal payments to civil servants, as well as cost of living and comparable private sector salaries are difficult to obtain. Because they can vary significantly based on experience, location, educational background and other factors, it is difficult and time consuming to systemically analyze these types of payments. An analysis of this sort is beyond the scope of this paper, however a first step can be taken by reviewing salary data to assess the relative pay of public servants in Myanmar.

Myanmar civil servants are graded and paid according to a scale with 13 levels, with the highest being the Permanent Secretary of a ministry and the lowest being manual laborers. According to the 2018 salary scale, pay levels for the lowest civil servants start at \$93, though the lower levels of the civil service are often manual labor or clerical positions (unskilled). The commissioned levels of the civil service, of which the lowest rank is a staff officer, start at approximately \$166 a month and top out at \$355 for the Permanent Secretary of a ministry. A comparison to the private sector, albeit one that is admittedly imperfect, suggests that civil servant salaries lag behind private sector salaries for positions of comparable responsibilities. Figure X. compares civil servant salaries with those from the private sector, and the gap ranges from 2x for lower level staff to over 7x for some higher levels.

Figure x. Myanmar government commissioned civil servant and private sector (manufacturing) salaries, 2018²⁶

²⁶ Civil servant salaries effective from April 1, 2018. Source: Global New Light of Myanmar, “Salaries of Civil Servants to Increase from April 2018,” April 30, 2018. Available at: <http://www.globalnewlightofmyanmar.com/salaries-civil-servants-increase-april-2018/>. Private sector salary estimates are based on the average from French Myanmar Chamber of Commerce and Industry, “Myanmar Salary Survey,” June 2018. Available at: https://www.ccifrance-myanmar.org/sites/ccifrance-myanmar.org/files/myanmar_salary_survey_-_june_2018.pdf. Exchange rate conversions based on Myanmar Central Bank Reference Exchange rate of 1547MMK/USD, retrieved on Sept. 13, 2018.

Private Sector (Manufacturing)			Civil Service (commissioned only)		
Job Title	Salary (MMK)	Salary (USD)	Job Title	Salary (MMK)	Salary (USD)
Specialist & Senior Staff	520,833	\$337	Staff Officer	257,000	\$166
Assistant Manager	609,286	\$394	Assistant Director	301,500	\$195
			Deputy Director		
Manager	1,109,444	\$717	Director	351,000	\$227
Senior Manager	1,533,000	\$991	Deputy Director General	384,000	\$248
Director	3,100,000	\$2,004	Director General	428,000	\$277
Other top management (CFO, CTO, etc.)	2,800,000	\$1,810	Permanent Secretary	550,000	\$356

However, salaries are only one component of total compensation. Many civil servants receive benefits, an overview of which is provided in a recent World Bank study, “Myanmar Pay, Compensation and Human Resource Management Review.” This study finds that civil servants, especially higher ranking, receive significant non-salary benefits, though the benefits vary significantly by department. For non-commissioned civil servants, there are fewer benefits. The most common is dormitory-style accommodation, provided by 82% of departments covered in the World Bank study. Just over a quarter noted that they provided free transportation to and from work. However, for higher ranking officials, benefits are significantly greater. Of the departments covered in the study, 90% noted that director generals (DGs) received complementary use of vehicles, and each of these DGs had either two or three vehicles at their disposal. The same percentage receive a fuel allowance, with market value ranging from just over MMK 200,000 to nearly MMK 620,000. Half of the departments provided telephone allowances of between MMK 10,000 and MMK 50,000. Lastly, 85% of departments provided either an apartment or house as accommodation for DGs.²⁷ While the World Bank study did not provide a detailed costing for each benefit (likely due to challenges associated with the variation in quality of these benefits), it is evident that they have significant value. If we consider total compensation, then, the gap between public and private sector would likely significantly lower. It could be more plausible to argue that non-commissioned civil servants are motivated to take bribes to help supplement salaries, though this argument is less likely to be accurate for high-level civil servants.

Systemic data is not available for all EAOs, however some anecdotal evidence suggest that some EAOs, which perform public functions in parts of Myanmar, also pay their staff less than a comparable private sector salary. The Karen National Union, one of the country’s major armed groups, does not pay a formal salary to any civilian staff or military personnel. Instead, they receive rations and shelter along with “pocket money” and other provisions as determined by their superiors.²⁸ Given the pay levels of public officials both in government and EAOs, the preconditions exist to argue that at least some of the informal payments made to public officials help supplement below-market salaries, and therefore can be discussed in the context of an informal tax.

²⁷ World Bank, “Myanmar Pay, Compensation and Human Resource Management Review,” pg. 60.

²⁸ Joliffe, Kim, “Ceasefires, Governance, and Development: The Karen National Union in Times of Change,” The Asia Foundation, Yangon, Myanmar: December 2016. Pg. 30.

Payments to public officials can resemble either a ‘pinch’ or ‘extortion’ as described in Prud’homme (1992). They are commonly faced by businesses in Myanmar with a range of authorities, examples of which include:

- **Payment of commercial/income taxes.** Businesses in Myanmar face informal payments related to the formal taxation system. Some taxes, such as the commercial tax, are often negotiated by businesses, with gifts or additional payments expected as part of the negotiating process.²⁹ Public officials have significant leverage to extract payments due to the Myanmar commercial tax structure, which charges 5% of turnover. The turnover tax is a major challenge for low margin businesses, with firms attesting that IRD officials have threatened to charge a 5% commercial tax on all revenue as a means to extract a bribe.³⁰ The amount of the requested payment generally varies, with some relationship to the size of the business. According to a recent enterprise survey by the World Bank, 20% of firms experienced a bribe payment request across a range of different transactions, including paying taxes.³¹
- **Obtaining a recommendation letter.** Businesses often have to obtain recommendation letters as a prerequisite to obtaining a permit or license. Many recommendation letters come from township officials, and anecdotal evidence suggests that payments vary based on the importance of the official providing the letter. One business noted that they paid the following amounts for recommendation letters:
 - Township admin recommendation letter – 200,000 kyats
 - Police recommendation letter – 5,000 kyats
 - Health recommendation – 50,000 kyats

When totaling all money spent for recommendations the business noted that they had likely spent approximately 1,000,000 kyat, of which they noted that only 20,000 was “above board”.³²

- **Obtaining construction permits.** 48% of firms that stated that they were “requested or expected to give gifts or informal payments” during the process of obtaining a construction permit.³³
- **Obtaining and expediting business licenses.** Officials often have significant discretion in granting business licenses, and use that (often in conjunction with stringent/unreasonable requirements). This is evident in the case of local guesthouse licenses.
- **Use of Customs Clearing Agents** – Customs officials are relatively oft-cited among private sector in Myanmar as extracting payments from businesses. A range of tactics have been cited by private sector, including delaying payments and manipulation of harmonized system (HS) codes.

Informal payments made to public officials can vary significantly in their pervasiveness, social acceptance, impact, and level of voluntariness. There may be inconsistency in the payment between different businesses based on size, relationships, or other factors. Previous research from IGC has demonstrated that informal payments can vary significantly between individuals who need permission

²⁹ Bissinger, Jared, “Local Economic Governance,” The Asia Foundation, Yangon, Myanmar, 2016, pg. 21.

³⁰ Author interview with business, Mon State, 2014.

³¹ World Bank Group, “Myanmar 2016 Country Profile,” Enterprise Surveys: What Businesses Experience (2016), pg. 9.

³² Author interview with business, Mon State, 2014

³³ World Bank Group, “Myanmar 2016 Country Profile,” Enterprise Surveys: What Businesses Experience (2016), pg. 9.

letters or documents. Thirty eight percent of the people who received documents noted that they had to make an informal payment, with the most common amounts being 500 or 1000 kyat.³⁴ However, reports from townships in Yangon suggest that payments have not been required to obtain various types of documents or letters (which would be needed for various types of business registration or licensing).

While an informal payment may not be required in order to obtain the desired service, there is often a strong expectation of a donation from the public servant. Failure to provide a donation may have ramifications in future interactions. While many payments have characteristics of a 'fee for service', some businesses also view them as part of their 'relationship maintenance' with local government officials. Not paying a small bribe when there is an expectation of one could lead to a negative impression on the part of the public servant, which could have future implications for the business, especially if they have a more significant need in the future. Informal payments may also not always be directly requested by officials. They may use subtle signals that a small donation is expected, for example by putting a basket on the desk of the official. They may simply make an indirect comment about donations.

While informal payments to civil servants have aspects of corruption, they are sometimes facilitated and necessitated by shortcomings in the legal framework. An oft-cited case is the commercial tax. In principle businesses should be allowed to deduct input costs from their commercial tax liability. However, in practice the commercial tax is often calculated as 5% of total revenue, without allowing any deductions. This arbitrary application of the law encourages businesses to negotiate with, and bribe, tax officers. For some businesses, negotiation may be unavoidable, especially those in low margin sectors (such as garment manufacturing or gold processing) where a 5% tax on total revenue could be higher than the margins for the vast majority of businesses in the sector.³⁵

4. Conflict-linked payments, contributions or other financial arrangements, often though not always coerced

The last type of informal payments, linked to conflict, is somewhat different from the first four. Conflict is a circumstance that encourages and necessitates payments, as opposed to a specific type of payment. Conflict-affected areas are significantly different operating environments for businesses when compared to other parts of Myanmar. Law and legitimacy are contested in conflict-affected areas. EAOs sometimes have their own laws, rules and regulations, forcing businesses to attempt to adhere to multiple 'regulatory frameworks'. Even when the government and EAOs have laws, they are often not enforced, and sometimes are blatantly contradicted. Conflict affected areas also have two or more groups of 'officials' who can reasonably be considered to provide public goods and services. The unique environment creates uncertainty about governance and what is 'legal,' making it difficult to even distinguish between formal and informal.

One key question about informal payments made in conflict-affected areas is whether they serve any public purpose. One argument in support of this is that the provision of defense is a public service, presuming it is viewed as legitimate by those receiving the good/service. There is strong evidence to

³⁴ McCarthy pg. 19.

³⁵ Bissinger, Jared, "Subnational Governments and Business" The Asia Foundation, Yangon, Myanmar, 2014, pg. 24

suggest that some people in Southeast Myanmar view defense services from EAOs as a public good. This is directly connected to a long history of conflict, in which the Myanmar army targeted the Karen civilian population through a strategy called the “Four Cuts”. This strategy was designed to deny ethnic armies’ access to recruits, intelligence, food, and finances, entailed elements of informal taxation, such as the confiscation of gold or livestock.³⁶ It was designed, in part, to scare the population off of supporting EAOs. This strategy bred widespread resentment of the Tatmadaw, as local communities bore the brunt of the conflict. Since 1996, the Thai Burma Border Coalition and partners documented “the destruction, forced relocation or abandonment of more than 3,600 civilian settlements in eastern Burma since 1996.”³⁷ Other issues include the ‘widespread’ use of forced labor.³⁸ Various Karen groups, including the Karen Human Rights Group, have documented abuses going back nearly three decades. This history underlies the strong support amongst some people in conflicted affected areas that EAOs are highly legitimate actors. Besides the provision of defense services, a number of EAOs provide other types of public services. Both the KIO and KNU provide some justice services in their areas of influence, and the KNU has a ‘police force’. The KNU also provides land ownership documents, which contributes to the perception of increased land security that comes with payment of taxes to additional authorities.³⁹ Given that EAO defense services enjoy some legitimacy, and the groups provide other public services as well, it is reasonable to include the conflict-related payments that fund them in an overview study such as this.

The private sector in conflict affected areas is also notably different from other parts of the country. There is little indigenous ‘formal’ private sector in conflict affected areas. These areas are not conducive to either formality or productive business. They are also not conducive for investment, given the high risk of destruction of physical property and the general uncertainty about return on investment. As such, much of the large-scale economic activity is extractive, including mining, harvesting timber, and large scale plantation agriculture. The taxation can take many forms:

- **‘Formal’ taxation of ‘informal’ (non-government) EAOs.** Some EAOs, for example the KNU, have taxation systems that have a number of characteristics of a ‘formal’ tax system. These tax systems are sometimes codified, including a written tax schedule with rates for various items. The KNU, for example, has a written tax schedule that outlines 258 taxable items and rates for each item. Some rates are set at a percentage of the sale price, for example cardamom, which is taxed at 1% of the price.⁴⁰ Others are set by volume, for example pine oil, which is taxed at

³⁶ Human Rights Watch, “‘They Came and Destroyed Our Village Again’: The Plight of Internally Displaced Persons in Karen State,” Vol. 17, No. 4(C), June 2005. Available at: <https://www.hrw.org/reports/2005/burma0605/burma0605text.pdf>

³⁷ Milbrandt, Jay, “Tracking Genocide: Persecution of the Karen in Burma,” Texas International Law Journal, Vol. 48, pg. 85. Available at: <http://www.tilj.org/content/journal/48/num1/Milbrandt63.pdf>.

³⁸ National Coalition Government of the Union of Burma 2005. Another report, which conducted field interviews with 342 individuals living in Myanmar’s ethnic minority areas during military rule, described the “highly systemic and violent” forced labor by the Burmese military. (Earthrights International, 2003) The authors found that nearly half of the interviewees complained about some kind of land confiscation, while nearly a quarter had experienced corrupt or arbitrary taxation of livestock and shops or businesses. About the same had shared reported forced labor (Vicary, 2005).

³⁹ McCarthy 2016, pg. 21.

⁴⁰ No details are given on how sale price is determined, or at what point in the value chain this tax is applicable. It is unclear whether the tax is assessed each time cardamom changes hands between traders, or whether it is assessed only on the sale from farmers to traders.

3,200 Thai baht per 1600kg.⁴¹ Many of these items would be applicable to businesses, for example on agricultural production, large machinery, transportation equipment, etc. While most items are taxable in cash, some items, especially agriculture products, taxes can be paid in kind. The KNU system has designated public officials that are responsible for revenue collection. However, implementation is not always in line with the written code, due to capacity constraints, an outdated tax schedule, discretion of public officials and other reasons. Hence, these taxes have characteristics of informality because of the nature of the group implementing them, as well as the way in which they are collected.

- **Mandatory Joint Ventures on Natural Resource Production.** In Myanmar, legislation exists that requires private companies to form a joint venture (JV) with a State Owned Enterprise (SOE) for some types of natural resource extraction, including natural gas and high-value jade. A number of EAOs use this same approach and form JVs with natural resource businesses operating in their areas. There are multiple motivations for this practice. It is a major way for groups to raise revenues. It can allow district-level leaders greater influence and power, because it gives them direct access to revenue streams. It can also lead to the personal enrichment of district leaders. This practice is of increasing importance given the Tatmadaw's insistence that EAOs not tax or collect customs duties in areas under their control.⁴² The government has instead allowed EAO leaders to register businesses and has given these companies privileged access to concessions. Because these leaders often have control over the military wings of EAOs, this strongly increases the incentive for outside businesses to JV with them.
- **Informal payments on the production of natural resources:** Informal payments related to Myanmar's natural resource production are significant. Both the government and EAOs collect informal taxes on mineral production. Military officers, for example, work through "brokers, informers and plain clothes police to extort money from small scale miners."⁴³ The Tatmadaw also provides "security" services to larger businesses, which requires payments to military commanders and stipends for police and soldiers.⁴⁴ Many EAOs tax the production of minerals. The KNU, for example, has specific tax rates for a few minerals in its tax schedule. The KIO is heavily involved in the taxation of jade production. The KIO has stated that it taxes jade mining concessions and jade sales, "ranging from 10-20% of the value and up to one third of the profits."⁴⁵ The KIO also taxes businesses on the number of mining workers, machinery, fuel, and even entrance to jade mining areas.⁴⁶
- **Informal payments on the transportation and trade of natural resources:** Another area where informal payments are extracted from natural resources businesses is in the transportation and trade of minerals. The most significant of these is jade, with both the Tatmadaw and the KIA involved in this taxation. The KIO has jade taxation teams that require traders to either pay a tax to export themselves or agree to a deal with the KIO, giving them a portion of the revenue.⁴⁷

⁴¹ Tax Tables of the Karen National Union

⁴² Ei Ei Toe Lwin, "Military insists on its conditions for peace," Myanmar Times, April 2, 2015. Available at: <https://www.mmmtimes.com/national-news/13880-military-insists-on-its-conditions-for-peace.html>

⁴³ Global Witness, "Myanmar's Big State Secret," Oct. 23, 2015, pg. 89. Available at: <https://www.globalwitness.org/en/campaigns/oil-gas-and-mining/myanmarjade/>

⁴⁴ Global Witness, "Myanmar's Big State Secret," pg. 89.

⁴⁵ Letter from KIA/KIO in Global Witness, "Myanmar's Big State Secret," pg 92.

⁴⁶ Letter from KIA/KIO in Global Witness, "Myanmar's Big State Secret," pg 92.

⁴⁷ Global Witness, "Myanmar's Big State Secret," pg. 89.

The Tatmadaw has a number of checkpoints along the transportation route from Hpakant to China from which they extract payments from the movement of jade.

- **Informal cross-border trade:** Myanmar's borders with its key trading partners often lie in areas where the Myanmar government has little control and oversight capacity. This often results in goods moving across borders through informal channels, e.g. not through the formal customs administration of the Myanmar government. Ethnic actors sometimes play a role in the movement of goods across borders, and collect informal payments from this. This proximity has combined with historically strict import controls, with either prohibitively high duties or import bans. This created a ripe environment for EAO-run border trading posts, through which they extracted taxes and fees on goods traded. This informal border trade also affects competition dynamics between businesses, because those who resell smuggled products can undercut products imported through the government regime.⁴⁸ Poor oversight at borders also allows businesses with connections to circumvent the formal system -
- **Informal road tolls:** Roads traverse conflict-affected areas across Myanmar, and have previously been used by conflict actors as a way to collect tolls. A prominent example of this is the relatively new road from Kawkareik to Myawaddy, which goes through areas influenced by a number of Karen groups. Toll affect transportation and logistics companies.⁴⁹

Businesses also face economic costs from fighting, though these are different from the informal payments discussed above. Economic costs can include the destruction of property or opportunity costs from lost sales/production. For example, trade through Myanmar's most important land border crossing to China, Muse/Ruuli, had decreased and all trade had been halted as Myanmar's third largest crossing at Chin Shwe Haw temporarily closed (Kyaw Hsu Mon 2014, Kyaw Hsu Mon 2015, and EU Myanmar Center 2014). Almost all businesses in that town also shuttered and many residents fled in fear of fighting.

Areas for future research

Informal payments and contributions are a reality of doing business in Myanmar, however despite this the level of knowledge about their functioning and impact is small. While it is possible to make some broad recommendations based on this information, we opt not to do this because of the need to understand these issues, and their interplay, more thoroughly. Instead, we focus on the wide range of research areas that could be pursued to learn more about the informal payments that businesses make. Some areas for potential future research include:

- **A macro level study of the total burden of informal payments and contributions.** One of the most pressing, and difficult, areas of research is to better understand the burden of informal contributions on businesses and the distribution of that burden across different businesses. WB Enterprise Survey data can help to some degree, but further research could help shed light on key questions about the "who, when, where, and why" of the informal payments burden in Myanmar.

⁴⁸ Interview with business, Mon State, 2014.

⁴⁹ Saw Yan Naing, "Govt, Karen Rebels Collecting Illegal Tolls on Asia Highway: Reports," Irrawaddy, January 8, 2015. Available at: <https://www.irrawaddy.com/news/burma/govt-karen-rebels-collecting-illegal-tolls-asia-highway-reports.html>

- Field testing the different types of informal payments described here to gather private sector views on their importance, both absolute and relative.
- After field testing, develop and implement enterprise survey (or, if limited time/budget, a smaller number of case studies) detailing firm level time and financial costs across all forms of informal payments and contributions. Some aspects of this research could be a challenge, notably the difficulty in finding firms willing to be transparent and open their books up with research teams. However, other aspects such as the time costs (employee and owner time spent dealing with informal payments) may be less challenging. A study of select but more in-depth cases may be the most feasible option in some areas, such as the amounts of informal payments.
- If quantitative data can be collect, analyze to determine characteristics of businesses that bear an outsized burden of the informal tax burden and those that do not.
- **A detailed study on costs that businesses face due to government implementation failures.** Though there are many anecdotes about the additional costs businesses face due to implementation issues of the Myanmar government, there is not solid evidence on the broad range of ways that this is manifest or the overall costs of these shortcomings. Often failures are sector-specific, and may not be immediately evident to researchers unfamiliar with the sector. This makes it vital to engage in further background research before any effort is made to quantify these costs. Research in this area could proceed in accordance with the following steps:
 - Qualitative focus groups and interviews covering businesses from a range of sectors and locations, as well as with different characteristics (size, ownership, etc.). The focus groups and interviews should aim to identify the breadth of ways in which businesses incur costs related to government implementation failures. Researchers could also use these discussions to receive feedback on draft survey tools.
 - Quantitative study on business costs and their relationship to government implementation failures. The scope of the study should be further defined but could cover issues including infrastructure, social services (health, education, social security, etc.), and managerial and employee time costs. This study could then draw out key problem areas that have a significant effect on firm performance.
- **Study on public goods financing in industrial zones.** Potentially in connection with the study above, there is a need to gather additional information about the functioning of industrial zones (IZ) in Myanmar. There are a number of IZ structures in Myanmar, including privately owned and semi-public. Different zones have different approaches to infrastructure delivery, however an important theme about many of them is self-sufficiency – businesses in the zone pay for all of the zone’s infrastructure, without subsidies. Further study of Myanmar’s IZs could help understand the funding models for IZ infrastructure, and then analyze how this affects business competitiveness and also Myanmar’s competitiveness and ability to attract FDI.
- **Private sector perceptions of informal payments and contributions.** Though there is some information on private sector and views of informal taxes, further research could help better understand the views of businesses about these issues. It is not just the existence or amount of an informal payment or contribution that can be a challenge, but also timing, predictability, and other characteristics that can affect business performance and investment decisions.
- **Study on formalizing payments and contributions to public officials.** Payments and contributions to public officials can be a difficult area on which to gather information, given the

lack of incentive for either public officials or businesses to disclose transactions which are often illegal. Careful design of the study and framing of the objectives may help to alleviate some of these challenges. One possible approach could look at the feasibility of formalizing informal payments, for example by considering the introduction of small fees to offset the cost of providing various recommendations and documentation. Other options to study could include replacing informal payments to civil servants with incentive-based pay that roughly mirrors previously informal payments. The study could also look at introducing formal value-added services such as 'express' document processing in exchange for a formal fee (which could have an incentive-based component for civil servants).

- **Study on the taxation and public financial management systems of EAOs.** Very limited information has been gathered to date on the taxation and public financial management systems of EAOs. These topics have sometimes come up in general studies about EAOs and their relationship with people living in their areas of control, but have not yet been studied in a systematic way. EAOs use taxation for a variety of purposes, including support for military operations, personnel costs, and some public services. They are, however, vital for Myanmar's struggling peace process, and such a study could help provide more information about the current systems
 - How are ethnic people involved in the EAO budgeting process?
 - How are ethnic people taxed? What degree of familiarity exists with different taxes, and how does that shape future taxation in ethnic areas?
 - What expectations do people in EAO areas have about return on tax collections?

This study may be subject to some limitations, however, especially on the funding and delivery of defense services. This shortcoming is similar to studies of the Myanmar government, which often cannot fully address the range fundraising and spending of the Tatmadaw, and as such should not be viewed as an overly significant obstacle. However, significant care should be taken in engagement with EAOs.

- **A review of private sector practices in conflict affected areas during the ceasefire period.** Ceasefires have opened parts of Myanmar that were previously inaccessible to the private sector. However, because governance in these areas is contested, doing business in conflict-affected parts of the country has been risky and complex, often requiring informal payments and/or partnership with one or more conflict actor. While it would be exceedingly difficult to gather strong quantitative information on this, some case studies on key local and international businesses could provide insights about the use of informal payments and business agreements. One option to do this could be to set up a panel of firms and study them repeatedly through the peace process and reconciliation. In order to gather broad perspectives, the research should collect data from both the company and stakeholders who engage with the company (EAOs, government, local communities, etc.). This could provide some contribution to the greater debate about 'business for peace' and whether and how business engagement in conflict affected areas catalyzes or deters confidence building and peace.

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