

**The Republic of Korea's Country
Partnership Strategy for the
Republic of the Union of Myanmar
2016-2020**

The Government of the Republic of Korea

March 2017

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The Republic of Korea's Country Partnership Strategy for the Republic of the Union of Myanmar

I. Summary

National Comprehensive Development Plan (NCDP 2011-2030)
<p><u>To become a modern developed nation that meets the aspirations of its people for a better life, and to achieve greater integration with the international community by 2020</u></p> <p>Promote inclusive growth and poverty reduction</p>



Economic Policy of the Union of Myanmar (2016)
<ol style="list-style-type: none"> 1. Support national reconciliation and the emergence of a united federal democratic union 2. Achieve balanced economic development across the States and Regions 3. Create opportunities for the emergence of capable and skilled new generations for the benefit of the country 4. Establish an economic system that can achieve and maintain positive development outcomes through the participation, innovation and efforts of all citizens



Objectives of the Republic of Korea's Development Cooperation for the Republic of the Union of Myanmar
<p>The Korean Government will support the Myanmar Government to realize the NCDP and Economic Policy, focusing on the following objectives:</p> <ul style="list-style-type: none"> ▪ Capacity building for a transparent and efficient government system ▪ Development of the agricultural sector and rural areas ▪ Advancement of transport infrastructures, thereby increasing national connectivity, for the facilitation of economic growth and national integration ▪ Increase of electric power and development of energy infrastructures to achieve sustainable economic growth



Priority Cooperation Areas and Support Plans	<table><tr><th>Governance</th></tr><tr><td><ul style="list-style-type: none">▪ Support improvement of public administration capacity for transparency and efficiency in public governance▪ Support improvement of policy development capacity for inclusive and sustainable economic growth</td></tr></table>	Governance	<ul style="list-style-type: none">▪ Support improvement of public administration capacity for transparency and efficiency in public governance▪ Support improvement of policy development capacity for inclusive and sustainable economic growth
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1. **(Vision)** The Government of the Republic of Korea aims to enhance the cooperative relationship between the two nations and contribute to poverty reduction and national prosperity in Myanmar by supporting the efforts of the Government of Myanmar in strengthening democracy, good governance, rule of law, national reconciliation, and human rights.
2. **(Criteria for Selecting Priority Areas)** Priority areas are selected based on Myanmar's national development plan, demand for development discussed during the policy consultations, and Korea's capacities for development cooperation.
3. **(Priority Areas)** Minimum of 70% of the total ODA for Myanmar will be allocated to the following priority areas.
 - (Governance)** Support capacity building for a transparent and efficient government system
 - (Rural Development)** Support the development of the agricultural sector and rural areas
 - (Transport)** Contribute to the development of the transport infrastructure for sustainable economic growth and national integration
 - (Energy)** Contribute to building energy infrastructures to achieve industrial development and improve people's living standards
4. **(Implementation Strategy)** The Korean government's development cooperation programs in Myanmar will be based on the Government of Myanmar's three core values— democracy, rule of law, and human rights.
5. **(Strategic Foundation)** Compliance with the Busan Global Partnership Implementation Strategies, UN's Sustainable Development Goals (SDGs), DAC's recommendations, Korean government's ODA Advancement Plan, and the Nay Pyi Taw Accord for Effective Development* will be ensured throughout the implementation of development cooperation activities.

* A set of commitments and actions to make cooperation between the Government of Myanmar and its donors more effective.

II. Priority Areas and Implementation Measures

A. Governance

1. Needs Assessment

The Government of Myanmar continues to promote the importance of a transparent, fair and effective government system through the new economic policy recently announced in July 2016. Envisioning inclusive and continuous development, the policy goals underlined the need to build a strong and transparent public financial system that will systematically collect revenues and taxes and finance national development. The policy goals also prioritize the establishment of fundamental economic infrastructures including a digital government strategy and an e-government system.

This continued support reflects the 2015 Election Manifesto, which expressed the strong will to guarantee freedom and security and build a system of government that will fairly and justly defend the people. With an underlying goal to enable greater efficiency of the government, the manifesto brought forth a set of action plans that is geared towards taking effective action against corruption and establishing fair and unbiased judicial and executive systems that support the rule of law.

2. Implementation Strategy

Implementation of development cooperation projects in Myanmar should take the social and geographical context of Myanmar into account. As great transformation is happening in Myanmar, the Republic of Korea will focus its support on the Government of Myanmar's efforts to build a governance system, as highlighted in the 2015 Election Manifesto.

Despite the differences in contexts, a case study of building an efficient government system could be used as a reference for Myanmar. In this regard, the Government of Korea will share the lessons learned from its own experience in building a governance system as it moved away from the status of a developing country.

The main target of the Korean government is to strengthen the capacity of human resources, transparency, and efficiency of the Government of Myanmar. It further plans to promote capacity building for policy development, especially the key economic policies such as finance, budget, public investment, agriculture and special economic zone (SEZ) as they are closely related to inclusive and sustainable economic growth.

Furthermore, the Korean government, in collaboration with other donor agencies, is building on the past project implementation experience in Myanmar to build an e-government system that aims to strengthen the ICT capacities of Myanmar's Central

Statistical Organization (CSO).

In order to further contribute to Myanmar's e-government system, the Korean government's support will focus on the following:

- a. **Development of a legal information system to strengthen the rule of law in Myanmar**
- b. **E-government system for government transparency**
- c. **Training program related to transparent and efficient government for public officials**

B. Rural Development

1. Needs Assessment

Due to Myanmar's favorable natural conditions (abundant land, plentiful rainfall, mild climate, etc.) and geographical location near massive global markets such as India and China, Myanmar has great potential for agricultural growth. Traditionally, the agriculture sector has been a major part of the economy. Currently contributing to 43% of the GDP, the agriculture sector employs more than 54% of the total workforce.

For the past years, the Government of Myanmar has been working on improving the level of food security, agricultural productivity, product quality, and breed development; however, a number of challenges still remain for Myanmar to overcome.

Today, Myanmar continues to struggle with its low agricultural productivity. Weak agriculture infrastructure, inadequate mechanization of agriculture, low processing capacity, and the underdeveloped distribution system and agricultural finance system are the underlying issues contributing to the currently low agricultural productivity. The level of land distribution among the farmers is another issue, as 54% of the agriculture workforce are landless farmers.

With the continuing low agricultural productivity and the lack of an agricultural finance system, the widening urban-rural gap is becoming a growing concern. Not only is the poverty rate in rural areas is twice as high as the rate in urban areas, but the rural areas account for 85% of the total poverty.

In this regard, the Government of Myanmar is looking to establish an economic model that balances agriculture and industry, and supports the holistic development of the agriculture, livestock and industrial sectors. The government's economic policy goal is targeted to enable rounded development, food security and increased export, while the 2015 Election Manifesto highlights the concern and interest in improving quality of life, famers' rights, and economic well-

being, and reducing the level of poverty in rural areas.

While the detailed plan for the economic policy remains to be drafted, a shift towards the production of value-added products and away from the production of raw agricultural products is anticipated. To this end, more investments to mechanize agriculture, expand production of export-quality crops, and establish an agricultural research and development system will be needed.

2. Implementation Strategy

The Republic of Korea's experience in its own agriculture sector development to improve living conditions, income, and livelihood in rural areas will continue to play an important role. The Korean government launched a successful comprehensive rural development project in the 1970s, with a focus on agriculture infrastructure development and enhancement covering irrigation, drainage, farmland expansion, and arable land redevelopment.

Korea's past national rural development movement, also known as the 'Saemaul Undong,' entails the experience and lessons learned from enhancing agricultural productivity, building irrigation, establishing systems of processing and distribution of agricultural products, and operating advanced agriculture technologies. The initiative has been reinterpreted to reflect the present day development issues and the 2030 development agenda, and the Korean government will continue to build on the experience and support on-going and future projects in the agriculture sector in order to support Myanmar's national development.

The Korean government will promote sustainable and inclusive rural development, agriculture infrastructure, and value chain development. Highlighting the importance of improved agricultural productivity and export, the Korean government's support will focus on the following:

- a. Promotion of efficient irrigation facility management for predictable and systematic agricultural production, flood prevention, and water management**
- b. Policy development and technical assistance for agricultural product distribution and expansion of exports**
- c. Strengthening of independent farmer organizations (cooperatives) to improve agricultural input supply system**
- d. Rural community development while reflecting the lessons learned from the Saemaul Undong**
- e. The Government of Myanmar's efforts to improve farmers' access to agricultural finance, production of valued-added crops, and local livestock farming**

C. Transport

1. Needs Assessment

Myanmar is geographically located near such countries as China, India, Thailand, Laos, and Bangladeshi, and is also bordered by a body of ocean. The development of the transport infrastructure that connects Myanmar to the neighboring countries and the body of water will provide great opportunities for economic development in Myanmar.

Considering Myanmar's massive territory and large population, its weak transport infrastructure is a challenge that needs to be overcome for a balanced national development. While Myanmar has 157,000km (2013) of roads, 6,106km (2014) of railways, and 9,600km of navigable waterways, the available infrastructure is greatly limited and its condition needs to be improved.

While the key transport infrastructure in Myanmar is roads, paved roads only account for 22.1% (2013) of the total roads. Moreover, more than half of the rural population (approx. 20 million) have limited or no access to the road network. In terms of railways, the average speeds of freight trains and passenger trains are at mere 16km/hr. and 27km/hr., respectively, due to worn out facilities.

In addition, the easing of international sanctions and the inauguration of new government in 2011 has dramatically increased the interest of foreign corporations and tourists in Myanmar. However, the weak development of the transport infrastructure¹ and chronic power shortage need to be resolved in order to fully engage these interests.

Recognizing the importance of national connectivity, the Government of Myanmar is committed to improve the transport infrastructure. The recently announced economic policy reflects this commitment, as one of its policy goals prioritizes the rapid development of fundamental economic infrastructure including road and ports.

The Government of Myanmar has been continuously planning and implementing road and bridge constructions and railway repair projects with the support of donor organizations and foreign ministries. The plans to strengthen its external connectivity with ASEAN, China, and India, and its internal connectivity with domestic strategic cities and remote areas within the country were promoted. However, constrained resources remain as a challenge.

2. Implementation Strategy

The case of the Republic of Korea's the national connectivity development is closely linked to the comprehensive national land development plan, including the national transport network. Korea has experience in building a

¹ Myanmar's Logistic Performance Index was ranked 145th among 160 nations (World Bank, 2012)

national transport network within a short period of time. The lessons learned could be linked to Myanmar's case. The recently implemented development project by the Korean government was on the establishment of a master plan for an arterial road network in Myanmar, employing the Korean experience within the Myanmar context.

From the technical side, the Republic of Korea has the capacity and technology for the introduction of an advanced, IT-based, intelligent transport and road system. Korea's construction and management capacity for railways, rapid transit railways, and urban railways (MRT/LRT) is well recognized, along with its traffic and signaling management system.

In this light, the Korean government will align its development cooperation projects with the transport sectoral strategy of the Government of Myanmar. Its support will focus on:

- a. **Transport infrastructure and sectoral capacities**
- b. **Enhancement of national connectivity and logistics development including construction of bridges, roads and urban railways (MRT/LRT) and track repairs**
- c. **Introduction of policies and systems related to developing, operating and managing transport infrastructures**
- d. **Joint research and problem-solving training programs**
- e. **Master plan, feasibility studies, and training on the transport system for local personnel and technology research institute**

D. Energy

1. Needs Assessment

The chronic energy shortage and the low electrification rate (32%) are serious problems in Myanmar despite its abundant energy resources (water, crude oil, natural gas, and minerals). Recognizing the urgent need for the expansion of the electric power infrastructure, the Government of Myanmar and key donor agencies have been focusing on the energy sector as one of the key priority development areas. The government also included the electricity generation as a priority goal in its new economic policy.

With a strong drive to increase the electrification rate, the government's efforts led to the doubling of the electricity generation output from 5,100GWh (2000) to about 12,200GWh (2014). The government also has initiated the promotion of power transmission facilities expansion to 500kV (currently at 66kV, 132kV, 230kV) in order to reduce power loss and enhance the operational efficiency of electricity

facilities.

However, the recent average access to grid electricity has shown a declining trend. A decrease in the national average electrification rate, from 49% in 2011 to 32% in 2013, was noted. The electricity access rates in major cities and regions, with the exception of Yangon (78%), remain low. Even the capital city of Naypyidaw, only reached 39%, the 4th highest electrification rate in the country.

The average electrification rate in the rural regions is at a mere 18%. The access rate is extremely low in some regions, as low as 6% in the Kayin State. This shows that the generated electricity by hydropower (74.7%), gas (20.5%), coal (4.3%) and petroleum (0.5%) is currently not meeting the demand for energy with the installed capacity of hydropower plants (3,005MW).

Considering the low level of access to grid electricity, the mostly used energy source is identified as traditional biomass (54%) and hydropower (17%), implying that the rural regions need to find an alternative source of energy when electricity is inaccessible.

Considering the country's high economic growth rate and available energy resources, Myanmar's future electricity demand is expected to grow. From 2000 to 2013, Myanmar's electricity consumption increased at an annual rate of 1.9%. Despite the increase in consumption, the 2013 electricity consumption trend showed that consumption was concentrated mainly at the cities of Yangon (49.8%) and Mandalay (17.2%). Naypyidaw, despite being Myanmar's capital city and the third highest city for electricity consumption, only accounted for less than 5.5% of the total consumption. This implies that the government's effort to increase the access to electricity will consequently only increase the demand for electricity.

The Government of Myanmar has expressed strong will to achieve nationwide electricity access by 2030. Progressively developing its energy policy, the National Electrification Plan was approved in 2014 followed by the Myanmar Energy Master Plan in 2016, in which the government estimates that the contribution of thermal power (coal-powered) will gradually increase as a non-seasonal stable energy source. The possible shift is a significant gesture in the energy market and energy policy, as the Government of Myanmar has maintained hydropower-centered energy policies for the past 50 years.²

2. Implementation Strategy

The electric power transmission and distribution loss of the Republic of Korea (3%) is among the lowest in the world. Korea holds advanced technologies and organizations for hydropower, biomass, photovoltaic energy, small hydropower and renewable energy, which are all energy sources in Myanmar. The Korean government will build on its experience in implementing a number of power transmission and distribution facility development projects in Myanmar.

² Since the 1960s, the government focused on building small-to-medium-sized hydropower plants. Entering into 2005, the government started building large hydropower plants.

The Korean government plans to align its development cooperation strategy with the Government of Myanmar's energy and electricity sector plans and strategies. Along with the Government of Myanmar, the Korean government will work to solve Myanmar's chronic power shortage, improve the livelihood of the Myanmar people, and invigorate regional economies.

Korea will continue to focus on the following areas based on its experiences and expertise:

- a. Improvement of power transmission and distribution efficiency**
- b. Expansion of energy infrastructure, such as power plants and transmission and distribution facilities, in regions with low access to electricity**
- c. Reparation of worn out gas pipes that supply gas as energy source**
- d. Promotion of independent power supply system in rural areas**
- e. Capacity building program focused on the energy sector**

III. Assumptions

The following critical assumptions may affect Korea's strategy and approach to development cooperation with Myanmar.

Natural disasters and the impact of climate change represent major challenges for Myanmar. The country is already experiencing increased climate variability, which will have a growing impact in the coming decades, especially given the importance of agriculture for livelihood. The rising sea levels pose a substantial threat, with 10% of the country projected to be affected by 1 to 5 meters.

Myanmar is also among the most vulnerable countries to natural disasters and has suffered through several devastating cyclones, including cyclone Nargis in 2008, which killed about 140,000 people. Recovery from natural disasters and climate change is a complicated process for both local and central governments. Rural development and water resource management projects need to consider the government response process, and take the on-going climate and weather pattern changes into account to meet the local needs and for an effective project implementation.

IV. Country Partnership Strategy (CPS) Evaluation Framework

Myanmar's National Development Strategy				
Become an advanced democratic nation through inclusive socioeconomic growth, poverty reduction, and improved quality of life				
CPS Strategic Goals				
Priority Areas	Goals	Expected Challenges	Achievements	Evaluation Index
Transport	<ul style="list-style-type: none">- Improve national and international connectivity by expanding and improving the transport infrastructure- Improve the quality of life by providing equal access to transport infrastructure	<ul style="list-style-type: none">- Weak infrastructure for passenger and freight transport	<ul style="list-style-type: none">- Improvement of the transport system- Development of the transport infrastructure	CPS Conformity (whether a project has been appropriately identified and developed in accordance with the CPS goals) Project Implementation Status (whether projects have been implemented in alignment with CPS)
Energy	<ul style="list-style-type: none">- Reduce power loss and improve operational efficiency of power facilities by developing eco-friendly and high-efficiency power infrastructure	<ul style="list-style-type: none">- Low access to grid electricity	<ul style="list-style-type: none">- Consultations to improve the electric power system- Development of electricity production and distribution infrastructure	
Public Governance	<ul style="list-style-type: none">- Contribute to establishing good governance through accumulation of social capital that is fundamentally based on trust and transparency'- Contribute to making public governance more efficient and transparent	<ul style="list-style-type: none">- Possible changes in policies based on political situation	<ul style="list-style-type: none">- Improvement of the infrastructure for e-government- Establishment of research institutes for economic policy	
Rural Development	<ul style="list-style-type: none">- Improve agricultural productivity and expand agricultural value chain- Promote sustainable and inclusive rural development by increasing farmer income, expanding credit accessibility, and improving living environment	<ul style="list-style-type: none">- Low level of agricultural productivity- Gap between rural and urban areas- Lack of agricultural finance- Low level of local ownership	<ul style="list-style-type: none">- Generation of employment through agriculture infrastructure development plan- Balanced rural and urban growth and agriculture and manufacturing sectors through rural development- Strengthened production of agricultural value-added product and access to agricultural finance	
Assumptions		The vulnerabilities to natural disasters and climate change, such as earthquakes and floods		

V. Mid-Term Allocation Plan

Korea aims to allocate 70% of its bilateral ODA to the **priority areas**, while some flexibility will be applied in order to accommodate urgent humanitarian needs and socio-economic changes in Myanmar.

Also, resource allocation will be adjusted based on program implementation, policy dialogue, interim monitoring, delay in projects, or other possible circumstantial changes.

The budget allocation may also be subject to adjustment during budget discussions and project planning stages, and is subject to parliamentary decision.

VI. Partnership Plans

Recently, the amount of ODA in the social and economic infrastructure has increased from 310 million US dollars (2012) to 1.390 billion US dollars (2013). With the dramatic increase in foreign aid, the importance of harmonization among development cooperation partners is continues to grow.

The Korean government will actively participate in the Development Partner Working Committee (DPWC) and periodic sectoral working group meetings, while taking into account the government's priority areas and the areas which other donors are implementing projects.

The Korean government participates in regular meetings of MDBs and donor agencies, and will continue to attend the Partnership Group on Aid Effectiveness (PGAE) Working Group meetings, a group of donor agencies covering loan and grant involved in development projects, composed of 45 member agencies. By participating in the PGAE, Korea will identify development projects aligned with Myanmar's development policy and the Korean government's priority areas, while increasing aid harmonization.

- **Partnership with the private sector**

The Korean government will utilize its local offices in Myanmar to build partnerships with research institutions, universities, and NGOs in Myanmar to strengthen network and local capacities, share lessons-learned, and develop projects that meet the project demands.

- **Sustainable Development Goals**

As the UN's SDGs have become the new goal for the global community, the Korean government's ODA policies are gradually mainstreaming the SDGs targets. The Korean government will engage the SDGs into the projects and development methods it has already initiated and design projects while taking into account the SDGs and the national context in order to assist the partner country's journey to achieve SDGs.