

The Political Road to Digital Revolution: How Myanmar's Telecoms Reform Happened

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Acronyms

MCIT	Ministry of Communications and Information Technology
MCRB	Myanmar Centre for Responsible Business
MPT	Myanmar Posts and Telecommunications
NLD	National League for Democracy
PTD	Posts and Telecommunications Department
USDP	Union Solidarity and Development Party
YPT	Yatanarpon Teleport

Executive summary

This study examines the recent overhaul of Myanmar's telecommunications sector. It explains how, in the context of the country's transition to democracy and growing international openness, reformers were able to use political savvy, strong leadership and smart institutional design to make reform happen. It details the importance in this process of partnership, ideas and narratives, the politics of accountability, and a pragmatic approach to trade-offs. The study also highlights the important role of a wide range of international processes and actors: not just donors, but also international rules and standards, foreign companies, embassy staff and specialist consultants.

A 'digital revolution' has been one of the profound changes taking place in Myanmar over the last few years. In 2011, only a little more than 2% of the country's 51 million people had mobile phones, behind even North Korea. By late 2015, that figure had risen to a staggering 60%. Myanmar is now the fourth fastest-growing market for SIM cards in the world.

This rapid transformation came about after the substantial reform of Myanmar's telecommunications sector, which included partial liberalisation and the introduction of a new law and regulatory framework. The reform has received much attention because of its transparency, its impact on Myanmar's development, and its unlikely success in the face of considerable political and bureaucratic obstacles. In this paper, we examine how the reform took place, and how reformers managed to overcome the barriers they faced.

The paper's analysis is based primarily on in-depth interviews with key stakeholders and participants in the reform process, including politicians, government officials and employees of the World Bank, international consultancy firms, telecoms firms and civil society organisations. Most of the interviews were held in Yangon and Nay Pyi Taw between December 2015 and February 2016. The study also draws on media sources and other documents.

The analysis highlights the importance of the following factors:

- **The *interaction of structures and agents*.** Myanmar's broader structural changes – its political transition and changing relationship with the rest of the world – helped provide the necessary space for the overhaul of the telecoms sector. But to achieve effective reform, the various actors involved needed to recognise the changing context, understand the opportunities and constraints this produced, and design and implement a reform strategy.
- **Ideas and narratives.** A strong reform narrative helped mobilise supporters, sideline opponents and win the battle of ideas. Reformers presented the telecoms initiative as a high-impact 'easy win' for the government and the country as a whole – it would significantly benefit the population and boost Myanmar's economic development; it would be easier to achieve than reform in other sectors; and it would show potential international investors that Myanmar is serious about reform and open for business.
- **Close collaboration among diverse actors** – from the political and technical spheres, public and private, national and international. This partnership was supported by strong political leadership. President Thein Sein met regularly with the reform team and – with the Minister of Communications and Information Technology, U Myat Hein – provided political commitment and protection from opponents.
- **The politics of accountability and transparency.** Adherence to a highly transparent and accountable reform process (in designing the reform, selecting the mobile operators, and issuing the licences) helped provide protection from interference from vested interests.
- **Understanding of the political context and the acceptance of some trade-offs** as a feature of a successful economic reform. The case highlights the need for reformers to acknowledge and engage with potential trade-offs that arise and seek to minimise any negative effects.

The findings confirm much of the current thinking about reforms needing to be politically smart, adaptive and locally led. Myanmar's telecoms reform provides examples of how external actors can:

- allow the domestic reform team to come to its own understanding of the policy problem and solution;
- work as part of the team and be able to draw on expertise and experience to respond to policy queries, rather than being only short-term external consultants;
- discuss examples of similar reforms in other countries; and
- encourage policymakers to adapt the reform to their political context – for instance, it was important politically to ensure that the domestic incumbent telecoms operator, MPT, could compete with the new foreign operators.

However, this case also highlights that the international community plays a greater and more varied role in reform processes than is often considered. Thinking about external support for reform therefore means looking beyond donors to the roles of – for example – international rules and standards, foreign companies, embassy staff and specialist consultants.

Introduction

In 2011 Myanmar had one of the worst mobile phone and internet penetration rates in the world. Only a little more than 2% of the country's 51 million people had mobile phones, putting it behind North Korea in mobile phone subscription rates.¹ The telecommunications sector was fully controlled by the state. The state-owned Myanmar Posts and Telecommunications (MPT), part of the Ministry of Communications, Posts and Telegraphs, was the only SIM card provider in the country.² The price of a SIM card was around US\$600 – out of the reach of most citizens (Myers 2013). Even among the few who could afford a SIM card, access was limited; prior to the 2011 political reforms, Myanmar's ruling elite had closely controlled communication in the country, and SIM cards were provided to those loyal to the military regime – or acquired by paying a substantial bribe.

By late 2015, however, the situation had changed dramatically. Mobile phone penetration rates in Myanmar had reached a staggering 60% of the population, and the country had become the fourth fastest growing market for SIM cards in the world (Ericsson 2015).³ The country's 'digital revolution' has received much attention and praise for the speed at which access to mobile phones and the internet has grown, and the implications for development and wider political change (see, for example, Vota 2015; Crouch 2016).

Myanmar's digital revolution was the result of the reform of the telecommunications sector, which began in 2012. The reform consisted of several individually significant changes, including:

- the introduction of a new telecommunications law and regulatory framework in 2013;
- the decision to partially liberalise the sector and award operating licences to two international companies, Ooredoo and Telenor, based on a transparent selection process;
- the establishment of a joint operating partnership between the incumbent telecoms operator MPT and the Japanese business group, KDDI Sumitomo, which has set in motion MPT's corporatisation;
- the award of a fourth licence based on a joint venture agreement between a local consortium and Vietnamese operator Viettel; and
- the establishment of the Posts and Telecommunications Department (PTD) as the country's telecoms regulating authority.

In sum, the reform led to the complete overhaul of the telecommunications sector:

This paper unpacks in detail how the reformers engaged with and overcome the obstacles to reform. We build the argument inductively based on in-depth interviews with key stakeholders and participants in the reform process. The interview data, alongside the relevant literatures on the politics of reform, provide a detailed analytical narrative of Myanmar's telecommunications reform.

We identify five key lessons from the reform that contribute to the literatures on the politics of reform processes.⁴ These are the importance of:

- the *interaction* of structures and agents in developmental reform;
- more careful consideration of the role of ideas and narratives in reform success and failure;
- the nature of the partnership among the various actors involved in the design and implementation of the reform;
- the politics of accountability and transparency in understanding how proponents of reform were able to overcome the considerable political and bureaucratic barriers;
- reformers understanding and engaging with the political context, and addressing and *accepting* the various trade-offs involved in economic reform as a feature of a successful reform, not as a 'bug' – particularly in reforms that involve international processes, such as the opening up of Myanmar's telecommunications sector.

The paper is structured as follows. The first section discusses the existing literature on the politics of reform in developing countries and highlights the puzzle that the Burmese telecoms reform poses for this literature. In doing so we also explain the contribution of this paper. We then discuss its methodological approach, which is based primarily on interviews with key participants and stakeholders in the telecoms reform. In the third section we provide an overview of the reform process. Fourth, we discuss the different obstacles that reformers faced. In the fifth section we explain the key factors that enabled the reformers to overcome these barriers, before offering conclusions.

1 See <http://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>

2 Following restructuring in the Burmese bureaucracy in November 2012, the Ministry of Communications, Posts and Telegraphs became the Ministry of Communications and Information Technology.

3 The US, India and China were ahead of Myanmar in terms of fastest growing markets for SIM cards.

4 We use the 'politics of reform' as umbrella term for a number of distinct but very similar literatures and debates; namely the political economy of reform (e.g. Rodrik 1996; Grindle 2004a, 2004b; Melo et al. 2012; Andrews 2014), 'Politically Smart, Locally Led' (e.g. Booth & Unsworth 2014), 'Doing Development Differently' (e.g. DDD Manifesto 2014), and 'Thinking and Working Politically' (e.g. Dasandi et al. 2016).

The politics of reform

Much of the development literature has focused on trying to understand the types of policies that can improve socio-economic outcomes in poorer nations. Recently, there has been growing recognition of the need to better understand how policy and institutional reforms can be implemented and the obstacles to such reforms in developing countries (see Krueger 1993; Bates 1981; Grindle & Thomas 1989; Rodrik 1996; Shastri 1997; Grindle 2004a, 2004b; Acemoglu & Robinson 2012; Melo et al. 2012; Peiffer 2012; Andrews 2013). This literature has generally pointed to the important influence of a country's politics, or political economy, on the likelihood of developmental reforms being implemented. There are, however, two rather distinct approaches to understanding the politics of reform processes. These are briefly outlined below.

The first is the structural argument, which tends to view reforms as the inevitable outcome of broader political and economic changes in a country. Economic or technological determinism, especially when it comes to new technology such as mobile phones, can be particularly appealing.

However, there are at least two limitations to the structural approach. First, there are many examples of telecoms and similar reforms *not* happening – for example, despite calls for reform in Ethiopia, the state retains a monopoly over all telecommunications services in the country through Ethio Telecom (see Tamene 2014). The reform of the telecoms sector in Myanmar does not clearly fit with structuralist explanations of market reforms in the telecoms sector, which identify factors such as a large urban consumer base, a strong financial sector and democracy as preconditions of telecoms reform (see Li & Xu 2002). These factors were not present at the time of Myanmar's reform.⁵

The second limitation of a structural perspective is that it tends to overlook the actual characteristics of reforms and, more importantly, how they redistribute rents. The question in the Myanmar case is not only why did the reform proceed but also why was it done in such a way that powerful elites or 'cronies' lost out?

Indeed, we might argue that this outcome of Myanmar's telecommunications reform is at odds with an established political economy literature on policy reform and rent-seeking (Krueger 1993; Bates 1981). The literature tends to focus on how extractive institutions and the vested interests of political and economic elites in developing countries prevent reform from occurring or lead to the capture of reform processes (see Krueger 1993; Bates 1981; Acemoglu & Robinson 2012). Bates (1981) shows why it is more rational for politicians and political elites to build support through targeted patronage than through programmatic politics and providing public goods. The distribution of licences is a classic case of creating market restrictions to underwrite patronage. More recent contributions show that the structured mechanisms by which the political, military and economic elites distribute rents tend to become an institutionalised political equilibrium, and therefore self-sustaining (Besley & Persson 2011; Acemoglu & Robinson 2012).

The problem, though, is that this focus on elites' interests and extractive institutions leads to a 'dismal science of constraints' (Duncan & Williams 2012) – an approach that is excellent at identifying and explaining the tenacity of vested interests and institutional inertia but struggles to explain change (Mahoney & Thelen 2010). Meanwhile, reforms such as the one in Myanmar force us to ask how change *can* happen.

Acemoglu and Robinson (2012) argue that institutional change is often the result of the disruption of the balance of power – a 'critical juncture' – that provides an opportunity for opposition (reformist) groups to solve the collective action problem in a more inclusive way. Myanmar has certainly experienced a critical juncture in recent years, and the telecoms reform is directly linked to the broader crisis that has produced much wider change in the country. However, for this crisis to translate into political and economic change reformist groups needed to recognise and/or seize the critical juncture and be able to organise and command sufficient power themselves. Furthermore, the current focus on change arising from critical junctures tells us little about the precise type of the reform or how they bring it about.

As Grindle (1999) points out, this structural political economy approach often ignores factors that analyses of specific reform processes identify as important, and so is frequently guilty of 'underexplaining reality'. In particular, Grindle points to three factors that tend to be underexplained by this approach: the role of leadership, the role of ideas, and examples of success. All three factors are relevant to Myanmar's telecoms reform. The reform is an example of success in which, as we will explain, leadership and ideas and narratives played important roles.

The second main argument about how development reforms happen – and a partial response to the political economy literature – is that reforms depend on committed leadership and political will. This approach also has limitations.

First, history is littered with examples of leaders failing to achieve their policy goals despite their strong motivation and commitment. Second, leadership never occurs in a vacuum: it is always a political process of building support and coalitions to effect collective action (Leftwich 2010). It is common to invoke the notion of 'political will', 'the slipperiest concept in the policy lexicon' (Hammergren 1998: 12). Our view is that political will, rather than helping to explain reform, actually requires explanation itself (see Green 2009, Hudson & Leftwich 2014). Unless we address *how* 'political will' happens and understand

⁵ While Myanmar was and is undergoing a process of democratisation, which - as we explain - certainly influenced the telecoms reform, in 2011 it was not a democracy.

it in relation to the political context of institutions, incentives, and constraints, it is no better than partial redescription masquerading as an explanation (see Post et al. 2010).

In isolation, then, both the structural and the agential approaches offer policymakers few tangible lessons on the politics of economic reform in developing and transitioning countries. As Rodrik (1996: 31) noted, the best of modern political economy of policy reform still leaves us 'in search of a manual for reformist politicians'. This is a point also made by Hill (2013: 108-9), who argues:

There is no generally accepted template, much less a 'rule book' for how to engineer successful policy reform. This is especially so in developing countries where political processes are more personalistic, institutions often less well established, outcomes more fluid, and the detailed case study literature on economic policy making still in its infancy. We therefore need more case study evidence, of both success and failure, to understand why and how successful reform occurs.

This paper's analysis of Myanmar's telecommunications reform provides such case study evidence, and in particular adds to the growing attention given to the interaction of structure and agency in reform processes (see also Grindle 2004; Melo et al. 2012). As Grindle and Thomas (1989: 215) explain, analyses of reform processes need to recognise that 'policy elites play important roles in shaping policy and institutional outcomes but also demonstrate the concrete ways in which the options available to them are constrained by contextual factors.' In other words, analyses of reform need to do more than strike a balance between a focus on structure and agency; they need to understand how the two interact (Hudson & Leftwich 2014).

This paper makes several contributions. First, it provides a detailed narrative of the specific obstacles and how they were overcome. As we have explained, the paper does this by examining how the interaction of structural and agential factors led to the reform of Myanmar's telecommunications sector. Most of the best work in this tradition has been done on social reforms such as education and health (e.g. Grindle 2004, Melo et al. 2012). Economic reforms have received much less attention, meaning we know less about the particular obstacles that matter here, which are potentially greater given the vested interests and potential economic gains.

Second, given the ongoing status of Myanmar's transition, so far relatively little work tracks or provides an understanding of this change (exceptions include Jones 2014; Lall 2015; Brown 2016). The different political and bureaucratic obstacles to telecoms reform that we discuss are linked to the broader country context, and as such are also barriers to reform in other sectors of Myanmar's economy. Therefore, in examining the nature of these obstacles and how they were overcome, the study provides important lessons for those working to promote broader political and economic reform in Myanmar.

Third, there is lack of studies that take international actors and forces in reform processes seriously. Much of the literature focuses exclusively on domestic actors in looking at reform processes. This is partly because of the choice of reforms examined – which are often social reforms that do not involve external actors – but also because studies often fail to acknowledge how external actors influence reform processes in developing countries. Those studies that do look beyond domestic actors tend to limit their focus to donors. While we consider the role of donors, and in particular contribute to the literature on how donors can 'think and work politically' (see Booth & Unsworth 2014; Hudson & Leftwich 2014; Dasandi et al. 2016) – this study suggests that the cast of international actors generally considered has been too narrow. Companies, consultants and also international standards have been overlooked. This is an issue with the recent research on the politics of development more generally.

Methodology

The study draws on a variety of sources. The analysis primarily draws on in-depth semi-structured interviews with the different actors involved in the telecoms reform. Interviewees include key politicians and bureaucrats in the Ministry of Communications and Information Technology, along with other government officials involved in the reform; various international actors involved in the reform process, such as World Bank staff and representatives from international consultancies; and senior officials from Telenor and Ooredoo, as well as from firms that were unsuccessful in their bid for an operating licence.

We also interviewed directors of local firms working in the sector; representatives from business associations linked to telecoms in Myanmar; staff from international and local companies working on building mobile towers and infrastructure; lawyers representing telecoms and tower companies; civil society organisations engaged with the telecoms sector in Myanmar; and several experts on Myanmar's telecommunications sector (who have been involved in the telecoms sector in various ways). The majority of interviews were conducted in Yangon and Nay Pyi Taw between December 2016 and February 2016. Some interviews with international consultants were done via telephone during this period. It is important to note that some of those we interviewed, particularly those involved in tower and infrastructure companies, asked to remain anonymous.

The analysis also draws on media sources that reported on the telecoms reform. In particular, we searched the country's two major English-language news sources, *Myanmar Times* and *The Irawaddy*, for articles linked to telecommunications from 2001 onwards. Finally, we also draw on reports and other documents on the telecommunications reform.

Overview of the reform process

Myanmar's political leadership had discussed improving the country's telecommunications infrastructure for a number of years, even during the final few years of military rule. However, when the political reforms of 2011 brought to power a civilian government under the leadership of President Thein Sein, telecoms reform began to be discussed more seriously. In particular, the National League for Democracy's landslide victory in the 2011 by-elections put pressure on President Thein Sein to demonstrate his commitment to reform. As we explain below, reforming the telecoms sector was suggested by a number of domestic and international actors.

Once the government decided to prioritise telecoms reform, one of the first steps was to draft a new telecommunications law to replace the Myanmar Telegraph Act of 1885, passed during British colonial rule. The initial draft law was closely based on the Malaysian Communications and Multimedia Commission Act. In February 2012, the government organised workshops on ICT in Myanmar in Mandalay, Nay Pyi Taw, and Yangon. The event included speakers from neighbouring countries and representatives from the World Bank. This led to the World Bank becoming involved in the reform process, initially by providing some funding and assisting in the drafting of the new law and regulatory framework. Around this time, the president appointed Thaug Tin, the director of an IT learning company, as the deputy minister for MCIT.

At this stage the government had decided to find international partners for MPT, the incumbent operator, and Yatanarpon Teleport (YTP), a Burmese company working in the telecoms sector. A cross-ministry selection committee was set up, chaired by Winston Set Aung, who at the time was the deputy minister for national planning and economic development. The committee also included Thaug Tin, and officials from several other ministries. In July 2012, the selection committee hired Roland Berger, a global management consultancy firm, to manage the selection process (Republic of the Union of Myanmar 2013a).

From July 2012 until the end of the year, the selection committee with its international partners designed the call for tenders. It was based on detailed criteria that focused on ensuring the new operators would increase geographic coverage in a short space of time as well as on quality of service, the hiring of local staff, and corporate social responsibility. It was in this design phase that the government decided to award licences to international operators regardless of whether or not they had a local partner. The government launched the call for expressions of interest in the two telecommunications operating licences at the end of 2012, and responses were required by February 2013.⁶ In January 2013, the Minister of MCIT Thein Tun was dismissed due to allegations of corruption, and replaced by former Air Force chief General Myat Hein (Mon et al. 2013).

Next came the pre-qualification stage. In April 2013, 12 applicants were pre-qualified to submit final applications. The joint Vodafone-China Mobile bid was later withdrawn. The remaining 11 finalists submitted their final applications in June 2013, with the two winners to be announced on June 27. However, in parliament on June 26 opponents of the reform tried to prevent the licences from being awarded on the basis that the law was not in place, and that new foreign entrants could 'monopolise' the sector (see Robinson 2013; Hook et al. 2015). Following an intervention from the President's Office, the selection committee went ahead and announced the licence winners, who were the Qatari-based company Ooredoo, and the Norwegian company Telenor. An agreement in parliament meant that the two companies would not receive their telecoms operating licences until the telecommunications law had been passed.

After the announcement of the winners, the MCIT began a public consultation process on the draft telecoms law – the first such consultation in Myanmar (see Calderaro 2014). After a number of changes to the draft, the telecommunications law was adopted in October 2013 (MCRB 2015). During this time, the MCIT also entered into negotiations with the Japanese business group KDDI Sumitomo to set up a joint operating agreement with the incumbent MPT.

In January 2014, Ooredoo and Telenor were given operating licences and began the rollout of their networks. They faced some considerable delays early on due to difficulties in accessing the land required to construct mobile phone towers, and more generally due to the lack of infrastructure in Myanmar.⁷ However, within a few weeks of their launch both the new operators had signed up over a million customers for SIM cards, and by the end of 2015 mobile penetration rates in Myanmar had reached around 60%, with Myanmar becoming one of the fastest growing markets for SIMs in the world (Ericsson 2015).

In 2015, the MCIT also began the process of awarding a fourth licence, which was to be based on a joint venture agreement between a local and international partner. Some have criticised this process for a lack of transparency. Initially, the local partner was going to be YTP, an established Burmese company in the telecoms sector. However, following allegations of corruption and concerns over YTP directors being on the list of Burmese citizens subject to international sanctions, MCIT decided to invite expressions of interest from publicly owned local companies. Eventually, a consortium of 11 companies was selected, and in March 2016, the state-owned Vietnamese operator, Viettel, was selected as the foreign partner (Hammond & Trautwein 2016).

6 See <http://www.mcit.gov.mm/news/end-expression-interest-stage-regarding-tender-two-nationwide-telecommunications-licences>

7 See <http://www.developingtelecoms.com/tech/networks-infrastructure/33-wireless-networks/5535-telenor-myanmar-launches-in-yangon-following-delay.html>

The obstacles to reform

Reforms often fail in developing and transitioning countries because of the significant political and bureaucratic obstacles to implementing them. Such obstacles were certainly present in Myanmar's telecommunications sector, and overcoming them – in some cases only partially – was critical to the success of the reform.

The first obstacle was the entrenched opposition from Myanmar's political elite to opening the telecoms sector to private sector competition and giving up state control of it. Opposition to market-based reforms has been highlighted as a barrier to economic growth in a variety of contexts (see Krueger 1993). In Myanmar opposition among the political elite – which includes members of the government, the legislature, and the military – was significant, despite the country having been in the process of transitioning from a command economy to a more market-based system for a number of years (see Jones 2014).

There were two main reasons for this opposition. First, despite the dismal state of Myanmar's telecommunications in 2011, the government still received considerable revenue each year – about US\$ 250 million – from the sale of SIM cards. Some therefore objected to liberalising the sector and forgoing this revenue.⁸

Second, opponents of reform saw state control of the sector as an issue of national security and sovereignty.⁹ Indeed, state control of communication networks in Myanmar had played a central role in the military regime's ability to maintain power (Alamgir 1997; Steinberg 2001). This narrative of sovereignty and security is especially salient in Myanmar given the active conflicts there.

This opposition from Myanmar's political elite is closely linked to the second major obstacle to the reform: opposition from the Burmese private sector and the related issue of cronyism. A feature of Myanmar's recent political and economic transition has been growing protectionist sentiments among the country's business community and parts of the political establishment (see Jones 2014; Robinson 2014). Indeed, Myanmar's elites have historically been wary of the involvement of external actors in their country's domestic affairs (see Brown 2016; South 2012). All of the local business in the telecommunications sector that we met with emphasised how positive the telecoms reform had been; however, the majority still felt that it was wrong to allow two foreign companies to operate in the sector without having to partner with local companies.

The issue of protectionism in Myanmar is closely linked to cronyism.¹⁰ There was a major concern that the telecoms reform would be blocked or captured by the country's economic elite – widely referred to as Myanmar's 'cronies'. This small group have become incredibly wealthy through close personal links to the country's former military regime, and they dominate the economy (see ICG 2012; Jones 2014; Larkin 2015; Brown 2016). Many of these cronies are on the US Specially Designated Nationals (SDN) list, and are therefore subject to international sanctions.¹¹ In addition to concerns over their links to the military and their potential negative impact on democracy in Myanmar, there is also an issue with the negative influence of cronyism on the country's economy (see Jones 2014).

It was widely recognised that the cronies would look for rent-seeking opportunities in Myanmar's potentially very lucrative telecoms sector (see Verisk Maplecroft 2013; Boot 2013). Indeed, at various stages, crony companies sought to obstruct or capture the reform process. Following the call for potential bidders to express interest, rumours began to spread that foreign companies would have to partner with a local crony company in order to stand a chance of winning a licence. Edwin Vanderbruggen, whose law firm VDB Loi represented several companies that made bids, explains:

The local cronies wanted to team up with foreign companies. They claimed they had it [the selection process] all under control, and that everything would be arranged through their personal connections. At the beginning it was very hard to tell whether these local companies were just saying this out of self-interest or whether there was substance to what they were saying. There was no telecoms law, so it was impossible to know... The local companies were saying, "if you don't do it with us, you've got no chance."¹²

A critical moment in the process occurred the day before the selection committee was due to announce the licence winners, when 'parliamentary opponents passed an emergency motion to block the licences, and 18 months of painstaking work was threatened with failure' (Hook et al. 2015: 37). These opponents had strong links to crony companies working in the telecoms sector. The proposal to delay the tender results came from Myo Swe, the Secretary of the Transport, Communication and Construction Committee and a member of the USDP party, who argued that only bidders with local partners should be eligible for an operating licence, and that if the new licences were awarded before the telecoms law had been adopted, the country's telecoms industry 'risked being monopolised' (Robinson 2013).

8 Interview with government official, February 2016.

9 Interview with government official, February 2016.

10 It is worth noting that opposition to awarding mobile operating licences to companies that were completely foreign owned is not only limited to crony companies. Many of the business representatives we met with, who expressed concern about the decision to award licences to foreign companies, were not crony companies.

11 See the SDN List with further explanation here: <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>

12 Interview with Edwin Vanderbruggen, VDB Loi, December 2015.

A third major obstacle to successfully reforming the telecoms sector was the high level of uncertainty in Myanmar at this time, specifically linked to the country's political and legal institutions. The country was undergoing profound changes in its political system, so it represented a significant risk for international investors who had little experience of the Burmese context. This is generally an issue in the telecoms sector; where as Raventos (1998: 23) explains, the challenge of privatisation is 'to get the investors to sink hundreds of millions of dollars into network development and growth, when there is a risk that the government may in effect expropriate this investment by renegeing on tariff adjustment promises or by allowing entry [to other investors]'. In Myanmar, concerns regarding uncertainty went beyond the issue of de facto expropriation to a more general absence of a clear legal structure.¹³ As a representative of Roland Berger, the consultancy firm contracted by the government to manage the selection process, explained:

The difficulty we faced was allocating licences in a country with no rules, no laws, and no regulations [in the telecoms sector]. In such a context, it is difficult to create an environment in which investors feel secure that everything will happen smoothly, and they won't lose money... This was a very big obstacle. There were no rules and regulations in terms of telecoms, in terms of owning land, and in terms of a lot of other areas.¹⁴

An additional obstacle, linked to the uncertainty about Myanmar's political system, emerged once the plans to reform the telecoms sector were announced. A number of civil society organisations, most notably Human Rights Watch (2013), raised concerns that the telecommunications reform would lead to greater surveillance of the population by the government and military, which could fuel political repression. These groups expressed alarm at the absence of legislation to prevent extensive surveillance, and warned that international companies risked becoming complicit in government surveillance and rights violations.

A fifth obstacle to reform was the significant lack of capacity within the country's bureaucracy. As in other predatory states, the bureaucracy in Myanmar during military rule had virtually no autonomy and had been part of the state's rent-seeking apparatus (see Evans 1992; Hook et al. 2015; Brown 2016). As such, the Burmese bureaucracy suffers from a lack of capacity and experience in designing and implementing economic reforms. In fact, in July 2013, President Thein Sein highlighted a number of problems with the country's bureaucracy, including the problem of pervasive corruption and the need for a change of 'mindset' if they were to carry out the government's ambitious reform agenda (Hook et al. 2015: vii; Slow 2015).

The final obstacle to reform emerged once the process was well underway, shortly before the announcement of the licence winners. Following the violence that had occurred in Rakhine State in 2012 between Buddhists and the Rohingya Muslims, there was growing anti-Islamic sentiment in the country, linked to various nationalist movements (see Green 2013; Beech 2013). As the bids for the operating licences were scored against the selection criteria, it became clear that Ooredoo, an international mobile operator based in Qatar and partly owned by the Qatari state, had achieved the highest overall score. This led to some within the selection committee expressing concerns of a public backlash against awarding a mobile operating licence to a 'Muslim company', which they felt would be too great a risk.¹⁵

How the reform happened

Given these significant barriers to reforming the telecoms sector in Myanmar, how did the reform happen, and why did it take the shape it did? In this section we discuss the key factors that influenced the reform process.

Structural drivers

Three structural factors are particularly important in understanding how the reform happened:

- the political transition that Myanmar has been undergoing since 2009;
- the changing relationship between Myanmar and the international community, which is related to the country's political transition; and
- the characteristics of the telecommunications sector.

These three factors did not determine the design of the reform or how the reform process unfolded. They did, however, shape the 'reform space' (see Post et al. 2015) by influencing which actors were involved in the reform, and the constraints and opportunities they faced in designing and implementing it. The political transition that Myanmar has undergone in recent years, which was triggered by the country's economic and political crisis, was key in providing the political space for the

¹³ The country has multiple and overlapping systems of governance, often making it unclear what rules applied in a given territory and who the authority was. Furthermore, the changes going on in Myanmar meant many laws were in a state of flux.

¹⁴ Interview with Roland Berger representative, December 2015.

¹⁵ It is worth noting that there is significant opposition to the decision to award an operating licence to Ooredoo linked to nationalist and anti-Islamic sentiment in Myanmar. For example, the radical monk, Ashin Wimala, who leads the nationalist 969 Movement called for a boycott of Ooredoo. See: <http://www.scmp.com/news/asia/article/1271260/myanmars-radical-monk-calls-boycott-muslim-firm-ooredoo-granted-phone>

telecoms reform. As is frequently stated, Myanmar has undergone a 'triple transition': democratisation, marketisation, and efforts to move away from conflict (see ICG 2012; Jones 2014). The telecoms reform is closely linked to democratisation. The shift from military rule to a civilian government in 2011 was generally met with scepticism, given that the National League for Democracy (NLD) had boycotted the 2010 elections, which had brought the military-backed Union Solidarity and Development Party (USDP) to power with former general Thein Sein as president. However, following the 2011 by-elections, President Thein Sein took most observers by complete surprise. He implemented wide-ranging political and economic reforms – which included releasing political prisoners, lifting government censorship, and introducing market reforms in a number of sectors (see Than 2015). This political transition has most recently led to the peaceful handover of power from the USDP to the NLD following the 2015 election. The broader transition provided the political space for the telecommunications reform, and importantly it allowed new pro-reform actors to be brought into the political and policymaking establishment, as we will explain.

The second, and related, structural driver of the reform was the changing relationship between Myanmar and the international community. After the military regime refused to transfer power to Aung San Suu Kyi's NLD following their victory in the 1990 elections, it was subject to international sanctions and isolation. The political transition that occurred in 2011 prompted a gradual and cautious process of reintegration into the international community. This included the country receiving international aid and investment, particularly following the lifting of sanctions by the US and the EU after the 2012 by-elections (see Reiffel & Fox 2013; Mahtani 2015).

This shifting international context was crucial for the telecoms reform. It led international actors to become increasingly involved in Myanmar during this time. Furthermore, the long period of isolation the country had experienced followed by its gradual reintegration into the international community also shaped how external actors viewed and engaged with Myanmar. For example, the World Bank had attached special significance to Myanmar opening its markets and integrating into the world economy. This meant that, given the country's lack of bureaucratic capacity, World Bank staff involved in the reform were encouraged to work much more closely with Burmese government officials than was usual for World Bank programmes.¹⁶

The shifting context also meant that international companies viewed Myanmar as an 'untapped market' where there was the potential to generate vast profits, which was also important in the telecoms reform.¹⁷

The third structural factor relates to the sector characteristics of telecommunications and is closely linked to the shifting international context Myanmar faced. There has in recent years been growing attention to the politics of sector characteristics (see Batley & McLoughlin 2015). Telecommunications services are highly visible and have a high impact, so their provision and price tend to be politically sensitive. They are characterised by significant economies of scale, and developing a telecommunications network involves significant investment and sunk costs, which means they are also vulnerable to administrative expropriation. Furthermore, the telecoms sector is highly vulnerable to technological change, which also drives up investment costs (see Levy & Spiller 1994: 218-20; Gutierrez & Berg 2000). The economic, financial, and technological importance of the telecoms sector means that it has a significant impact on other sectors and wider development in a country (Li & Xu 2002). These various characteristics of the telecommunications sector in Myanmar significantly influenced the opposition to the reform, the actors involved in the reform process, and the strategy its proponents used to overcome opposition, as we will explain.

These structural factors, in particular the shifting structural context, led to a change in the 'rules of the game' and created new opportunities for reform. However, translating these structural changes into the effective reform of the telecommunications sector required the different actors involved to recognise and monitor Myanmar's broader structural changes, and to understand their implications for telecoms reform. Based on this understanding of the changing context, the actors were able to put in place a reform implementation strategy that was feasible and effective in the face of the new opportunities and constraints.

Actors, partnerships and leadership

Central to the reform's success were the specific actors involved and, in particular, the close relationships that developed among them. A distinguishing feature of the telecoms reform was that new and non-traditional actors were brought into the process, which as we have noted was made possible by Myanmar's broader political changes. The close relationships that developed among them – bringing together actors from the political and bureaucratic (or technical) spheres, public and private, and national and international – were also unusual for a reform process. These factors, together with the political leadership provided, enabled the reformers to overcome the various political and bureaucratic obstacles to reform via an institutional design, which we discuss below, that insulated the process from particularistic interests.

¹⁶ Interview with World Bank staff, December 2015.

¹⁷ Interviews with representatives from Telenor and Ooredoo, December 2015.

One of the clearest examples of how non-traditional actors, or outsiders, were brought into the reform initiative is the president's decision to appoint Thauang Tin, a well-known academic working in the private sector, as deputy minister of MCIT early in the process. Appointing someone from the private sector as a deputy minister was very unusual, if not unheard of, in the country as that point. Those we spoke to highlight the central role Thauang Tin played both in putting telecoms reform on the political agenda and in the reform's design and implementation.

The decision was important for several reasons. Thauang Tin had been a long-time advocate of telecoms liberalisation, and so had a deep personal commitment to the reform. He had significant experience and understanding of the private sector, together with substantial technical knowledge of telecoms. Appointing him as deputy minister helped to overcome the bureaucracy's lack of motivation and capacity. In addition to running an IT training company, Thauang Tin had been a Burmese representative in the ASEAN business community, and so had worked with foreign and international agencies. The reform involved working closely with various international actors, something most senior bureaucrats in Myanmar had little experience of. Indeed, many we spoke to highlighted the international experience of Thauang Tin and other members of the reform team as both unusual within the country's bureaucracy and crucial for developing a close relationship with the various international actors involved in the reform process.

Several international actors were closely involved in the telecoms reform.¹⁸ The World Bank, particularly Tenzin Norbhu (its lead ICT policy specialist and regional coordinator for Asia), was closely involved in the design and implementation of the reform. This involvement began early, when World Bank staff members attended the ICT workshops organised by the government in February 2012, and were approached to help the government develop the regulatory framework for the sector. Having secured some grant financing from within the Bank, they began formally working with the Ministry in July 2012. As we have discussed, there was a severe lack of capacity within the MCIT, particularly with regard to regulation, given that the sector had been fully controlled by the state and the previous telecoms law had been introduced during British rule. Subsequently, the World Bank team, together with staff from the International Telecommunication Union, worked very closely with staff in the Ministry. A crucial part of the World Bank's work with the government was to more generally provide 'rapid response policy advice'.¹⁹

Providing this advice meant a much closer relationship developed between the external partners, particularly Tenzin Norbhu, and Burmese government officials than is usually the case in development programmes. Indeed, several government officials we spoke to viewed Norbhu as part of the core reform team.

Several factors fostered this close relationship. The fact that senior World Bank staff viewed the opening up of Myanmar's economy as especially significant meant that Norbhu spent much more time in Myanmar than was usual in such a role. She would accompany Ministry staff to meetings with different actors in the sector. Another important factor was her extensive technical knowledge and experience: she had worked on telecoms reform for the World Bank and as a civil servant in her native Bhutan. Further, she recognised her own role as an external actor and did not try to push the reformers to pursue a specific course of action. Instead, she provided responses to their queries based on her experience. This was something that the Burmese officials we spoke to highlighted as very important.

Another important external actor in the reform process was the global management consultancy firm Roland Berger, which was hired by the government to manage the selection process. The use of an international firm to manage the selection process was controversial, as it had not previously been done in Myanmar. Many people, including the majority of the selection committee, were opposed to using government resources to pay the firm's high fees. The decision came from Winston Set Aung, the head of the selection committee, who had previously worked for a management consultancy firm in Singapore. He recognised that the lack of capacity within the country's bureaucracy and the lack of experience of working on an international tendering process could undermine the selection. Given the high uncertainty international investors faced in the Burmese context, there was a concern that potential bidders would be discouraged if they felt the process did not reach international standards. As Vicky Bowman, the director of the Myanmar Centre for Responsible Business (MCRB), points out, the use of international consultants was important because 'it allowed them [the government] to outsource the detailed legwork to people who had done it before and could therefore do it quickly and effectively', and 'it ensured that the process met current international good practice and also gave bidders confidence in the integrity of the process' (Frontier Myanmar 2016).

A significant issue was that while the selection committee, the World Bank, and Roland Berger were designing the call for tenders, the telecoms law had still not been adopted. To address this, Roland Berger and the selection committee worked much more closely with the World Bank and MCIT than was usual to ensure they were able to provide potential bidders with as much information as possible regarding the likely design of the law and regulatory framework. It was during this process that the selection committee identified the main objectives for reforming the sector, which focused in particular on expanding geographic coverage of the telecoms network quickly and thereby bringing down the costs for consumers.

¹⁸ In the accompanying policy paper, we discuss lessons for external actors in more detail in a separate section.

¹⁹ Interview with Tenzin Dolma Norbhu, Yangon December 2015; Interview with Thauang Tin, Nay Pyi Taw, February 2016.

In working out how best to achieve these objectives, the selection committee discussed in detail examples of recent telecoms reform in other developing countries with the external partners. Tenzin Norbhu's experience, both working as a government official in her native Bhutan on telecoms reform and her experience with the World Bank working on telecoms reform in several developing countries, was especially important. She also brought in officials from neighbouring countries to discuss their experiences of telecoms reform, particularly what had worked well and what had not. Through this process it became increasingly clear that meeting the objective of improving affordability and access to mobile phone services in Myanmar as quickly as possible would be difficult given the poor mobile infrastructure and the capacity of MPT. This led to the decision to award operating licences to international companies rather than looking for international partners for domestic firms.

The decision to allow international companies to compete for an operating licence aroused significant opposition from members of Myanmar's political elite and from its private sector. We discuss in more detail below how the reform team sought to overcome this opposition. However, a crucial factor in overcoming it was political leadership.

The commitment of political leaders to reform is an area where there is considerable agreement in the literature on the politics of developmental reform (see Grindle 1999, 2004). Those we spoke to pointed to importance of the leadership of President Thein Sein and Minister of Communications and Information Technology, Myat Hein, for the success of the reform. It is worth noting that both of these men rose through the ranks of Myanmar's military, and as such their commitment to reform was understandably viewed with scepticism by observers. However, the commitment of both to the telecoms reform was seen as important for its success. This supports Blyth's (2003) argument that crises provide moments of uncertainty: actors may become uncertain of their identities and turn to new ideas, which in turn can foster change.

An important development that allowed the sector to be opened up to international operators was the dismissal in January 2013 of the Minister of MCIT, Thein Tun, due to allegations of major corruption and cronyism. This dismissal is linked to the broader political changes in Myanmar at the time. Thein Tun was opposed to cheaper SIM cards and a 'logjam generally in the process of reform' in the sector (Mahtani 2013). He was particularly opposed to awarding licences to international operators, and in a meeting with members of the World Bank team in April 2012 insisted that the objective would be to find a foreign operator to partner with MPT and not to open the sector to international competition.²⁰ His dismissal provided the supporters of reform with the space to shape the reform.

The president appointed the Air Force chief, General Myat Hein, as the new Minister for Communications and Information Technology. The appointment was initially criticised because of Myat Hein's military background (see Mon et al. 2013). However, it proved to be an important decision for the reform for several reasons. Myat Hein was highly committed to improving telecommunications in Myanmar and was a supporter of reform. He also had a close relationship with the president, which was in part why he was entrusted with leading the reform. Further, as the former Commander-in-Chief (Air), he was a highly respected figure who held significant authority in Myanmar's political system. A close relationship developed between Minister Myat Hein and Deputy Minister Thaug Tin, in which the former provided political leadership and cover, while the latter was trusted to push ahead with the reform agenda.

President Thein Sein also provided crucial political leadership for the reform. As we discuss below, the telecommunications reform was identified as the country's flagship economic reform, and this led to much closer involvement by the president than would perhaps usually be the case. The selection team met the president on a regular basis to discuss progress on the reform and to highlight any problems they faced. The political leadership was particularly important in overcoming opposition to reform among political elites in the country's legislature. This is demonstrated by the president's intervention the day before the two licences were due to be announced when opponents in the legislature attempted to pass a motion to block the announcement. The media coverage highlighted how the incident pointed to 'further tensions between the legislature and the government, particularly with the president's office' (Robinson 2013).

While the most important actors were those directly involved in the design and implementation of the reform, a much wider group of actors influenced the reform and were critical at various stages. This is evident in the way the telecoms reform was brought onto the formal political agenda. Those we spoke to generally agreed that it was consistent reference to improving the telecoms sector by various actors that led to the focus on telecoms reform. Several examples of different actors bringing up the issue of telecoms reform were provided. These included high-profile visits from foreign dignitaries, such as political leaders and high-profile academics, who noted the importance of improving ICT for the country's development.

Myanmar's involvement in ASEAN was also seen as a key factor. More generally, the country's increased participation at various international events – such as the Asian World Economic Forum in June 2013 and the South East Asian Games – led to external actors highlighting the importance of improving its ICT infrastructure. The visit by officials from the President's Office to the 2012 World Economic Forum in Davos was seen as particularly significant, as these officials were apparently told by several representatives of European countries that if Myanmar wanted to introduce economic reforms then it should start with telecoms and ensure that the reform was done properly to send a clear signal to potential investors.²¹ Actors

²⁰ Interview with Tenzin Dolma Norbhu, December 2015.

²¹ The visit of Myanmar officials to the World Economic Forum in 2012 is discussed here: <http://www.reuters.com/article/us-davos-myanmar-idUSTRE80R0DM20120128>

within Myanmar were also calling for improvements to the country's telecommunications infrastructure, including some of the president's economic advisors.²²

A further example of different actors playing a role is the response to parliamentary opponents' efforts to derail the reform the day before the winning bids were due to be announced. Those we spoke to in the reform team highlighted the important role played by the media and the public in putting pressure on the opponents of reform to allow the licence winners to be announced. The government had only lifted censorship and allowed independent media sources in August 2012 (see MCRB 2015: 123). However, as soon as the efforts to block the reform transpired, the media reported extensively on what was going on in parliament, highlighting the personal links between high-profile political opponents to reform and local telecoms companies that stood to benefit from preventing international operators entering the market.

This, in turn, fuelled public outrage about the efforts to block the reform.²³ Indeed, those within the reform team highlighted the role played by the public more generally in ensuring the reform proceeded:

The excitement of the public was really important. The country has been isolated for a long time and mobile phones have always been for the elite alone. People were very frustrated with the system in place and were really looking forward to having mobile technology. So the public was very excited about the changes that were being proposed, which provided us with really good support.²⁴

While previous efforts to improve access to mobile phone services had been largely unsuccessful, they had led to growing public demand for affordable SIM cards. As the selection process was taking place there was growing frustration among the public at the time taken for change in the telecoms sector to occur (see Wagstaff 2013).

Ideas and narratives

One of the most important aspects of the reformers' strategy was the development of a convincing and consistent reform narrative, which enabled proponents of reform to win a battle of ideas. While there has been much focus in the broader public policy and political science literature on the role of ideas in bringing about change (see Hall 1989; Stone 2002; Blyth 2002, 2003), studies of reform in developing countries have often overlooked the importance of ideas (see Tandler 1997).²⁵ In the case of Myanmar's telecommunications sector, developing a clear reform narrative helped to generate support for reform, and helped to both reduce and overcome opposition to reform.

By 'reform narrative', we refer to the clear and compelling framing of the argument justifying the importance of the telecoms reform for the country, which was repeatedly used by the different members of the reform team. This narrative presented the reform as an initiative that would provide:

- an easy win, and a 'win-win' for the government: telecommunications would be an easier sector than others for the government to change, and the whole country would benefit;
- highly visible impact, and support for economic development;
- a demonstration to the international community that Myanmar was serious about reform and would be a good place for international investment.

This last part of the narrative, in particular, led to the framing of the telecoms reform as the country's 'flagship economic reform'.

This narrative was developed early on when placing telecoms reform on the political agenda. As we have noted, various international actors flagged telecoms as the best starting point for reform if the government wanted to send a clear signal to international investors that they should invest in Myanmar. Further, it was this narrative that Thaung Tin used to raise the issue of telecoms reform with the president prior to becoming deputy minister. At a meeting of the National Economic and Social Advisory Council, he stated:

Mr President, in terms of economic reforms, I think that telecoms reform would be one of the low hanging fruits. It would provide the Government with a quick win, as it's a high impact project and we can bring about change within three years – certainly within five years. It would also help to promote economic development in the country.²⁶

This narrative was to a large extent shaped by the characteristics of the telecommunications sector, in terms of its importance for other sectors and the significant impact its liberalisation was likely to have. This also informed the decision to present

²² For example, U Myint, one of the president's economic advisors, had called for the liberalisation of telecoms in a 2009 paper on economic development in Myanmar (see Myint 2009).

²³ This was bolstered by the growing role of social media at this time, which was increasing in Myanmar despite the limited access to mobile communications.

²⁴ Interview with Winston Set Aung, February 2016.

²⁵ An important exception is Ascher (1984).

²⁶ Interview with Thaung Tin, February 2016.

the telecoms reform as the country's flagship reform to signal the country's intention to implement market reforms. Indeed, as Li and Xu (2002) note, reforms of the telecommunications sector have often been used to signal a country's intent to implement market reforms. The international actors involved in the process, such as the World Bank, reinforced this narrative:

We kept pushing the message forward that “whatever you do in telecoms is going to be a harbinger for whatever else happens. So if you get it right in telecoms, it's going to send a message to the world that Myanmar is open for business.” They knew that getting it right up front was important, and that if they could demonstrate it [successful reform] in telecoms, they could do it in other sectors too.²⁷

The government's *2012-2015 Framework for Economic and Social Reform* also points to the importance of improving the telecoms sector because of the ‘quick wins’ it provides.²⁸ This narrative was also a feature of the media coverage of the telecommunications reform (see, for example, Ferrie 2013; Robinson 2013; Malone 2014).

This strong reform narrative was important for two reasons. First, it helped to generate strong personal commitment among the reform team and other actors involved in supporting the reform. As several studies point out, a key factor in ensuring the success of a reform is that the policymakers involved have a common understanding of the policy problem and of the best approach to addressing it (Post et al. 2010; Grindle 2004; Peiffer 2012; Dasandi 2014). Indeed, several studies highlight shared values and vision among policymakers in successful developmental states as an important part of bureaucrats' motivation to bring about change (see Leftwich 1995; Dasandi 2014). The reform narrative, particularly how the reform was framed as the country's flagship reform, helped to cement this common vision among the government officials involved in the reform and generate an *esprit de corps* around a shared commitment to the importance of the telecoms reform for the country's development. It also led to a strong belief among the reformers that the reform had to achieve international standards of best practice.²⁹ As such, this narrative helped to overcome an important obstacle to reform, namely the low commitment to reform in the Burmese bureaucracy.

The second, and related, reason for the importance of the reform narrative was that it helped the reformers overcome opposition. By developing a clear account of why the reform was important, the reformers managed to engage with potential opponents and sought to change their minds by changing the narrative. As we have discussed, members of the reform team met with potential ‘losers’, such as local companies in the sector, who were likely to try and oppose the reform. They presented the reform as a ‘win-win’ scenario instead of one that would create ‘winners and losers’. As Tenzin Norbhu explained:

It was really important to go to these local companies and provide the message that local industry is not going to be a loser; “the pie is going to grow and you're going to be able to participate in the entire supply chain”. Some companies would be able to work on planning the networks, others can provide towers or [cable] ducts, and another company could do systems integration or provide training. One of those local companies, Blue Ocean, today provides the whole call centre function for MPT and Telenor. So we said, “your revenues are not going to be negatively impacted, you're actually going to have a more sustainable flow of revenue because you will have a market that is going to grow.” Getting that message across – and especially helping the government to be able to explain these things and provide that message – was really important.³⁰

When engaging with opposition, reformers also frequently used the idea that the initiative's importance went beyond the telecommunications sector, and was a matter of the country's international standing and attractiveness to potential investors. This is based on its framing as the country's flagship economic reform, which would demonstrate Myanmar's commitment to broader economic change. For example, when parliament attempted to block the announcement of the licence winners, selection committee chair Winston Set Aung told the media, ‘We are not dealing with small companies but dealing with the best of the best companies in the world... our dignity can be harmed if we respond late’ (Robinson 2013). Hence, developing a strong and coherent reform narrative played a key role in the politics of the reform process.

Accountability, transparency and engagement

An important objective of the selection committee was to ensure the selection process was highly transparent, fair and met international standards of best practice. This was to be a key feature of the reform. Indeed, as Calderaro (2014: 3) points out, ‘the various stages of the telecom reform reflect the government's dual-goal of both connecting the country quickly while respecting international standards of securing telecom reform through a fair and transparent process’. The decision to pursue a transparent and open strategy was not simply an attempt to fit with international best practice and democratic principles, but was a political and strategic response to the context. This transparency ensured that accountability mechanisms were built into the reform process. It enabled additional key actors to be involved – in particular, the public and the media. It enabled, and was complemented by, significant engagement by reformers with a range of different actors, which further ensured high levels of accountability in the reform process.

27 Interview with Tenzin Dolma Norbhu, December 2015.

28 See <http://www.eaber.org/sites/default/files/FESR%20Official%20Version%20-%20Green%20Cover.pdf>

29 Interview with government official, February 2015.

30 Interview with Tenzin Dolma Norbhu, December 2015.

The Myanmar case suggests that bottom up, popular demands *can* matter, but only to a certain point, and that plenty of other internal or horizontal accountability mechanisms need to be put in place *within* government structures – not just between state and society (O'Donnell 1998). If these horizontal accountability mechanisms are not in place to shield the process from competing political interests, then traditional approaches to social accountability that assume citizens act as principals to hold a government to account do not work (Fox 2015).

The emphasis on transparency came about for two related reasons. First, the president had increasingly come to view corruption and cronyism as key problems that the government needed to address, as they were hindering economic development. Indeed, President Thein Sein told senior government officials in a speech in December 2012, 'we have found that departments at various levels of government do not listen to people's voices, and there is no transparency in what they are doing' (Slow 2015). This focus on corruption had led to the dismissal of the former minister of communications and information technology, as we have discussed, and had also introduced a new law and commission to target corruption (see Kha 2014). Shortly before the selection committee began its work, the President's Office had sent a letter to all government ministries that transparency should be made a priority in any selection and contracting processes.³¹ Second, the focus on transparency arose from a sense that Myanmar's flagship economic reform should send a clear signal to the rest of the world that doing business with Myanmar would not involve facing corrupt practices.³²

Ensuring that the selection process was transparent was done in several ways. As we have discussed, the international consultancy firm Roland Berger was hired to manage the process. The company had significant experience working on such processes in the telecoms sector, and as such was able to ensure the process met international best practices of transparency and fairness. As we have noted, Roland Berger worked very closely with MCIT and the reform team – indeed, the use of the international consultants was effective particularly because the reform had a political home. Having a well-established international management consultancy involved did much to increase the confidence of potential investors in the process and was crucial to creating a general perception that the process would be fair and transparent. Furthermore, the criteria and documents linked to the selection process that were developed with Roland Berger were made publicly available by the government.

Another measure the selection committee took to ensure transparency was to establish its own code of conduct. Given the close relationship between the government and the business elite in Myanmar, it would be very difficult for members of the selection committee to avoid meeting those who were involved with companies competing for an operating licence. As a result, members of the selection committee made a pledge not to discuss any details of the selection process with those outside of government or partner organisations. Instead, during the pre-qualification phase, companies competing for the operating licences were asked to submit any questions they had regarding the selection process to Roland Berger.

In late March 2013, the selection committee released a public document that listed all of the questions that had been submitted and provided the government's response to each question (see Republic of the Union of Myanmar 2013b). It was in this document that the selection committee addressed rumours circulated by the local cronies that foreign companies would need to partner with one of these crony companies to stand a chance of winning a licence. The document made clear that having a local partner was not a requirement.³³

The political economy reading of this is that the selection committee was made transparent to insulate it from political contestation – much like central bank independence, for example (Watson 2002). What could be seen as a technical decision actually served a very political function. The committee's insulation undermined opponents' ability to challenge its processes and decisions.

This is further demonstrated by the selection committee's response to pressure applied by foreign governments. While the committee anticipated the efforts by local cronies to influence the selection, it was surprised to come under pressure from bidding firms' governments through their diplomatic missions in Myanmar. Diplomatic representatives – including those from Western donor governments – sought out the deputy minister or other members of the selection committee at official functions and asked them to select companies from their countries.³⁴ As Hook et al. (2015: 37) note, 'several foreign embassies lobbied the President's Office and the ministry to change the tendering criteria to favour companies from their own countries.' Having transparent selection criteria managed by an international consultancy firm was important in resisting such pressure. It enabled the President's Office and the selection committee to explain that 'the tendering process had been designed by international experts to meet international procurement requirements and aimed to achieve the best outcome for the people of Myanmar' (Hook et al. 2015: 37).

31 Interview with Winston Set Aung, February 2016. Such selection processes had typically been done internally in the ministries; the letter also made it mandatory that all selection processes had to be done through a transparent tendering process.

32 Interview with Deputy Minister Thaug Tin, February 2016; interview with Winston Set Aung, February 2016.

33 A number of foreign companies bidding for mobile licences chose to partner with local companies. However, these bids were unsuccessful.

34 Interview with Deputy Minister Thaug Tin, February 2016; interview with Winston Set Aung, February 2016.

This transparency was also important in overcoming the effort by a powerful group of legislators to block the announcement of the licence winners. The transparency of the reform process had allowed the newly independent media to follow it closely from the beginning. When the effort to block the reform occurred, the media immediately gave it significant coverage, in particular highlighting the fact that Red Link, a company providing internet services, was run by Toe Naing Mann, the son of Thura Shwe Mann who was Chairman of the Lower House of Myanmar's Parliament.³⁵ The public outrage this generated played a key role in the opponents of the reform accepting a compromise proposed by the president.

The political insulation of the committee also enabled the president to resist a final challenge to the process. And this is a crucial conceptual point: the way in which the transparency and accountability had been structured empowered the political leadership. Shortly before the announcement on which operators would be awarded licences, as we have discussed, the violence in Rakhine State had led to growing anti-Islamic sentiment, linked to various nationalist movements. When Ooredoo, partly owned by the Qatari state, achieved the highest score against the selection criteria some within the committee felt that awarding a licence to a company from an Islamic country carried too great a risk of a public backlash.

The selection committee explained the situation to the president so that he could make a decision on how to proceed. The president's response was that they had followed international standards throughout the process to ensure that the selection was fair and transparent, and that they should continue to meet these standards to the end, and award the licences to the two operators that had scored highest. The announcement was therefore made that Ooredoo and Telenor had been awarded the licences.

In addition to the reform process being highly transparent, it was also characterised by high levels of active engagement by reformers. For example, as we have noted, once the design of the reform was agreed, the reformers and World Bank staff set about identifying those who might be seen as losers from the reform process to convince them the reform would benefit them, and to address concerns they might have.³⁶

Further, the substantial media coverage and public support for the reform that was demonstrated in the wake of efforts in parliament to block the announcement of the winners enabled the reformers to move forward with the telecommunications law, which had been held up in parliament. The reformers decided to hold a public consultation process for the law.³⁷ In addition to discussing the law with different actors that were directly involved in the telecoms sector, they also met with various local and international CSOs who had expressed concerns regarding the issue of surveillance. These discussions led Ministry officials to remove some aspects of the law that were causing the most concern, to convince the CSOs that liberalizing and privatizing the sector would make surveillance less likely than if the state retained control of it. They also assured civil society actors that plans were underway to introduce privacy laws. These steps helped to further reduce opposition to reform.

This combination of accountability, transparency, and engagement was crucial to the reform process, and affected it in two important ways. First, it helped to bring supporters into the process and overcome opposition to the reform. Second, it also meant that the reform was designed both to improve the telecommunications sector and have broader benefits in Myanmar.

Trade-offs

Another key aspect of the political approach to the reform of the telecommunications sector was that it was based on pragmatism. The reformers were required to make compromises to deal with potential spoilers. This has led to some criticism of the reform and the actors involved. However, accepting such compromises was important for ensuring that the reform could proceed, and that the public could access cheaper and higher quality mobile phone services. The pragmatic approach taken to such trade-offs reflects Grindle's (2004b) argument about the need to accept 'good enough governance' if developmental reforms are to be implemented (see also Andrews 2013).

An important compromise was made during the rollout of the telecommunications network, once the licences were awarded. As we have discussed, there were significant delays early on in this process, partly due to the difficulty that the new operators faced acquiring rights to the land needed for mobile phone tower sites (see Mullins 2013). Myanmar has a complex land tenure system. In some parts of the country there are no official records about who owns a piece of land, and instead land ownership is recognised by informal institutions.

It was also unclear who had the political authority to grant permission for the companies to use land for mobile towers (see Mullins 2013). Often permission was required from a number of ministries and authorities at the local and national level, and this process varied across regions.

35 This link is highlighted here: <http://www.burmapartnership.org/wp-content/uploads/2011/06/The-Regime-s-Cronies-List-June-27-2011-Final.pdf>.

36 It is worth noting that this was not a formal PEA, but it was done quickly in-house, taking advantage of people's tacit and deep knowledge of the country and sector; a form of 'everyday political analysis' (Hudson, Marquette & Waldock 2016).

37 However, the consultation was limited in a couple of key ways. There was limited local/national civil society involvement, arguably a consequence of the reform's technical nature. And, relatedly, the consultation did not extend beyond Yangon – though subsequent consultation processes have done.

Yet the terms of the licences imposed significant time constraints on the new operators: the network infrastructure had to be developed fast. As a consequence, the two operators decided to give the companies building the mobile towers the responsibility for acquiring the land for the tower sites. Those working within tower companies told us the telecoms operators adopted a 'don't ask, don't tell' attitude towards how this land was acquired.³⁸

Those working in Myanmar's telecoms sector, including members of the reform team, have by and large accepted that such an approach was inevitable given the lack of clarity over ownership and authority for land rights. The MCRB's director noted that:

With regard to the land issues, this has been a problem for the telecoms companies, and it's partly inevitable. It's not that they didn't try – they spent a lot of time asking questions and trying to figure out the issue of land rights and access. There were some issues of local corruption, but the more general issue is that they found it impossible to find a way through the legal labyrinth around land laws.³⁹

The general view in the sector, and among members of the reform team, seems to be that legal and regulatory reform will follow economic development.

Acquiring tower sites has meant that several bigger tower companies operating in the country have entered into partnerships with some of Myanmar's crony companies. This is also something that the reformers have felt was unavoidable given the realities of the current context in Myanmar.

A second area in which the telecoms reform has received criticism is the regulation of the sector. Representatives of the two new operators have pointed to the long delays related to regulation, in areas such as allocating more spectrum for these companies to provide services, and establishing the independence of the Posts and Telecommunications Department (PTD) as the country's regulating authority.⁴⁰

These issues are to a certain extent the result of the lack of capacity within Myanmar's bureaucracy. However, some have suggested these delays are linked to the use of international consultants in the process of drafting the law and regulations, and the failure to account for the local context.⁴¹

The way the whole thing [international consultancy] works, you end up with some guy based on the other side of the world who has never been to Myanmar writing the country's regulatory laws. Now he may draft very good telecoms laws, and these laws would probably work well in the UK or US; but they don't work here [Myanmar], because no one here understands them. It's taken two years to implement the law... what's the actual value in someone faxing over regulatory laws that are highly sophisticated, which no one here can understand and cannot be implemented? What are needed are much less sophisticated laws that they [civil servants in Myanmar] can actually understand.⁴²

The general criticism that external actors often fail to sufficiently consider the local context is one that has received considerable attention and support in recent years (see Carothers & de Gramont 2013; Booth & Unsworth 2014; Levy 2014). However, Myanmar's telecoms reform demonstrates a trade-off involved in reform processes with an international dimension. For the reformers, ensuring that the law and regulatory framework met international best practice was seen as crucial to help mitigate the bigger problem of the high level of uncertainty in Myanmar and the need to inspire confidence among potential foreign investors. There was a concern that they might not attract the best companies if the law and regulations did not meet international standards. Indeed, a representative from Ooredoo told us that the use of consultants from the well-regarded Telecommunications Management Group to produce the regulations 'gave us a lot of confidence in the process.'⁴³ Meeting international standards was also seen as important to ensure that if Myanmar sought WTO accession in a few years, its telecommunications governance structure would meet WTO requirements, and would not have to be overhauled again.

A third area in which reformers had to make compromises was in relation to the incumbent operator, MPT. The government had considered privatizing MPT during the reform process. However, following discussions between officials in MCIT and external partners, particularly the World Bank, it became clear that rushing to privatise the incumbent operator could risk significant job losses and MPT being unable to compete with the two international operators.

The reformers felt it was important that MPT was able to compete with the new entrants – particularly as much of the political opposition to the liberalisation process had been from those who argued foreign companies would monopolise the

38 Interview with tower company representative, February 2016.

39 Interview with Vicky Bowman, MCRB, December 2015.

40 'Spectrum' relates to the radio frequencies allocated to the mobile industry. Additional spectrum enables mobile operators to connect more people at faster speeds (see <http://www.gsma.com/spectrum/what-is-spectrum/>).

41 Consultants from the Telecommunications Management Group (TMG) were hired to draft the law and the regulations.

42 Interview with Edwin Vanderbruggen, December 2015.

43 Interview with representative from Ooredoo, Yangon, December 2015.

sector. Those involved in the reform felt it was important that MPT survived in order to provide competition and thereby improve telecommunications services in the country while lowering prices, as well as for political reasons given the opposition to economic reform by powerful actors with vested interests.

Members of the reform team, particularly Deputy Minister Thuang Tin, also recognised that MPT would have to undergo substantial change to compete with Telenor and Ooredoo. However, there was significant resistance to change within MPT and MCIT. This was largely because MPT had never faced competition, and there was high demand for SIM cards among the Burmese public, and so many, including the former minister, saw little reason for MPT to change. The appointment of Myat Hein as minister also helped, as he agreed with the deputy minister's argument that following liberalisation, MPT would need to undergo significant changes in order to compete with the new entrants. They went to the President's Office to discuss finding a partner for MPT.

A difficulty they faced in finding a partner for MPT was that it was not clear what the appropriate business model would be. They considered various options, such as privatizing MPT and selling it to a private company, and establishing a public-private partnership (PPP). They settled on trying to establish a public-private joint venture agreement. However, they soon faced significant challenges: the transfer of ownership and joint ownership of different assets. In fact, because MPT was part of the Ministry of Communications and Information Technology, they found that with the current rules it would even be very difficult to pass information from MPT and MCIT to a private company. This could have meant that establishing a joint venture partnership could take up to five years.

As a result, they decided to set up a joint operating agreement, which would not require any transfers of ownership. Based on the shortlisted companies from the initial selection of the two new operators, they selected Japanese business group KDDI Sumitomo to be a joint operating partner with MPT. KDDI Sumitomo provide investment for MPT and are involved in management and setting up a business plan, but they do not have any ownership as MPT has the operating licence. The agreement has meant that MPT has begun a process of corporatisation.

Those we interviewed across the telecoms sector in Myanmar have described positive changes in MPT following the agreement with KDDI Sumitomo. MPT has adopted improved organisation and management approaches, it has a smart business plan, and the quality of its services has improved dramatically. As a result, MPT has managed to compete with the two international operators, despite the success that Ooredoo and Telenor have experienced. Those in the reform team feel that this is another successful outcome of the reform process, given that significant opposition to the reform was based on concerns that foreign companies would dominate the sector, and that jobs could be lost if MPT could not compete.

A final trade-off that reformers faced was in dealing with the fourth operating licence, for which they have also received criticism. Partly because of a compromise with political opponents of the reform, the government decided it would award the fourth operating licence to a domestic company that would find an international partner so they could compete with the other three mobile telecommunications operators. As the original plan to transform the telecoms sector had been based on finding international partners for MPT and YTP, the President's Office decided that YTP should be offered the licence, and have the opportunity to find an international partner, given it had previously been selected.

The decision to award the fourth licence to YTP gave rise to a number of problems in 2015. The company was widely seen as a crony company, and its directors included individuals on the Specially Designated Nationals list, which the government increasingly came to see as problematic.

Furthermore, the process of finding an international partner for YTP was far from transparent, and became marred by accusations of corruption. Some of YTP's own directors and shareholders complained to the Ministry about the corrupt practices of the directors leading the negotiations for an international partner. Deloitte, who were hired to manage the consultancy process, privately expressed concerns over YTP's approach to finding a partner.⁴⁴

In addition, YTP's directors had stipulated that YTP would have at least 80% of shares in the joint venture, while requiring the foreign partner to contribute 100% of the investment. Many international companies therefore decided not to enter the selection process, leaving only a handful of companies interested in partnering with YTP.

As a result of these problems, the government decided to intervene. The President's Office felt it would be better to proceed with a model that was based on a local partner made up of a consortium of publicly limited companies, rather than a single private limited company.⁴⁵ At the end of 2015, the government announced that the local partner would be a consortium of 11 local public companies and a government shareholder (see McLaughlin 2016). The Vietnamese telecoms operator, Viettel, was selected as the international partner (Hammond & Trautwein 2016).

The process has been criticised because the local partner is made up of companies that lack experience in the telecoms sector, and because the process has been seen as lacking in transparency, which has led to accusations of cronyism. However, government officials we spoke to felt that such criticism fails to take into account the difficult context they face in Myanmar:

44 Interview with government official, Nay Pyi Taw, February 2016.

45 This was a model that the government has used with the Thilawa Special Economic Zone with some success (see Song 2014).

There are few companies in Myanmar with both the necessary resources and experience in telecoms, and in fact there are very few publicly limited companies in the country. As such, wanting to be inclusive and to minimise risks, the government decided that a consortium of publicly limited companies with the resources required was the best approach they could take. This approach also helps to avoid one of the cronies being able to capture the fourth licence. However, as one government official told us, it would be impossible to keep businesses with connections to prominent political elites out of the process, as 'in a country like Myanmar, if you think about any company that has acquired a decent business position, then all of them have some connections [to the political elite] – in the past if you did not have connections; you simply couldn't do business here'.⁴⁶

As these examples demonstrate, reforming the telecoms sector required the reformers to take a pragmatic approach, accepting that some trade-offs would be required. However, it is also important to note that this does not mean those involved in the reform simply accepted second-best solutions to push through the reform. Instead, those in the reform team actively engaged with the different trade-offs they faced, weighed the benefits of various options, and accepted compromises on the basis that these would help them to achieve the reform's main objectives.

This also demonstrates the long and winding road of reform: the award of the two operating licences was not the end of efforts to reform the sector. As members of the reform team told us, many of the most difficult challenges in improving telecoms services in Myanmar followed the announcement of the operating licences. These included the challenges of land access, efforts by the cronies to gain access to the fourth licence, and improving regulation of the sector. This long process of bringing about change again highlights the importance of a pragmatic approach to reform.

Conclusion

This paper has examined how government officials, supported by external actors, were able to design and implement the effective reform of Myanmar's telecommunications sector. In doing so, they managed to overcome significant barriers to reform. Important lessons for reform-minded actors emerge from this case.

The study highlights the role of both structure and agency in the reform process. In Myanmar, the broader structural changes taking place – the political transition and the country's changing relationship with the rest of the world – were important in providing the necessary space for reform. However, these changes by no means guaranteed that reform of the telecoms sector would occur or take the direction it did. To achieve effective reform, the various actors involved needed to recognise the changing context, understand the new possibilities and constraints this produced, and to design and put into action a reform strategy.

The study also points to the importance of the specific actors involved in the reform process, and the relationships among them. Myanmar's telecoms reform was particularly notable for bringing actors from outside the country's traditional political and policymaking circles into the reform process. This was important in developing close relationships among a wide range of actors – political and bureaucratic, domestic and external, public and private sector – that helped to create a strong reform team with a common understanding of how to improve the telecoms sector. This case also highlights the importance of political leadership and of ensuring that reform processes are locally led.

The study provides lessons on approaching reforms in a politically informed way. Myanmar's telecoms reform points to the importance of ideas in reform processes, specifically in creating a strong reform narrative that can help mobilise supporters and reduce or sideline opponents. However, this case also suggests that reform-minded actors need to engage more broadly in questions of how to build support for reform and reduce opposition. The solution here was to provide protection from the economic elite ('cronies') and other spoilers by adhering to an exceptionally transparent and accountable process in designing the reform, selecting the mobile operators, and issuing the licences.

Another important lesson that emerges is the need for a pragmatic approach to reform, which accepts some trade-offs and deals with potential spoilers. As we have explained, the reform has not been without its critics. However, given the Burmese context and significant political barriers to reform, it would be unrealistic to expect the reform process to unfold without some negative aspects. The case highlights the need for reformers to explicitly engage with the trade-offs that arise along the way and seek to minimise any potential negative effects.

The case also provides more general lessons for external actors looking to support reform in developing and transitioning states. The growing attention given to politics in development research and policy – broadly referred to as 'thinking and working politically' – has tended to emphasise some key issues. These include the need for external actors to better understand how elite interests shape development processes, the importance of locally-led development, and the need for development actors to work in a flexible and adaptive way (see Booth & Unsworth 2014; Hudson & Leftwich 2014; Dasandi et al. 2016). The paper provides some support for the importance of these factors.

46 Interview with government official, Nay Pyi Taw, February 2016.

It also provides examples of how external actors can support locally-led reform processes. External actors can:

- allow the local reform team to come to its own understanding of the policy problem and solution;
- work as part of the team and be able to draw on expertise and experience to respond to policy queries;
- discuss examples of similar reforms in other countries; and
- encourage domestic policymakers to adapt the reform to their political context.⁴⁷

Myanmar's telecoms reform, however, also points to the need to go beyond the current focus on donors in considering how international actors and processes shape reform in developing countries. This includes considering the role of embassies, foreign companies, international rules and standards, and specialist consultants in shaping reform processes.

⁴⁷ In a forthcoming policy brief, we summarise the key lessons that emerge from Myanmar's telecoms reform for international actors supporting reform.

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