Myanmar

A. Medium-term economic outlook (forecast, 2019-23 average)

GDP growth (percentage change):	7.0
Current account balance (% of GDP):	-6.8

B. Medium-term plan

Period: 2017-21

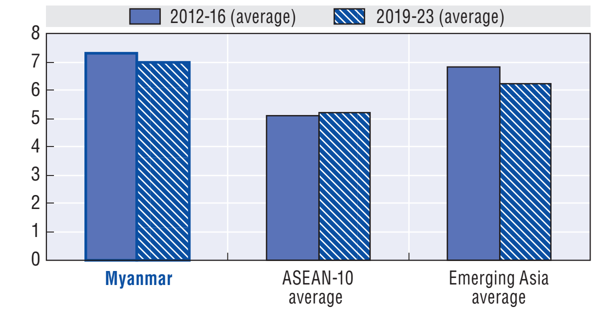
Theme: Boost economic growth by encouraging investment in the public and private sectors to ensure higher local productivity through the process of industrialisation

C. Basic data (in 2017)

Total population:	53.4 million*
Population of Nay Pyi Taw:	1.2 million*
Nominal GDP (US dollar):	67.3 billion**
GDP per capita at PPP:	6 265.5 (current International Dollar)**
Exchange rate in the first half of 2018 (period average):	1 342.8 (MMK/USD)

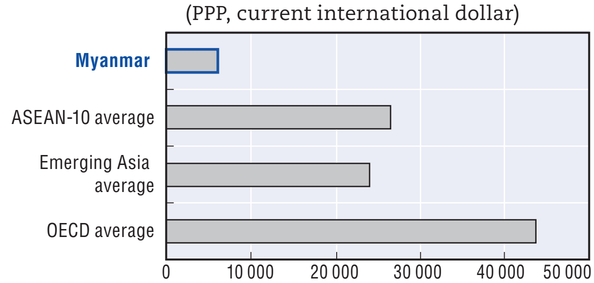
Note: * Population data are government projections based on the 2014 Myanmar Population and Housing Census. Projected population numbers refer to 1 October, the midpoint of the Myanmar Government's fiscal year.
** IMF estimate.
Sources: OECD Development Centre, national sources, CEIC and IMF.

GDP growth rates (percentage changes)



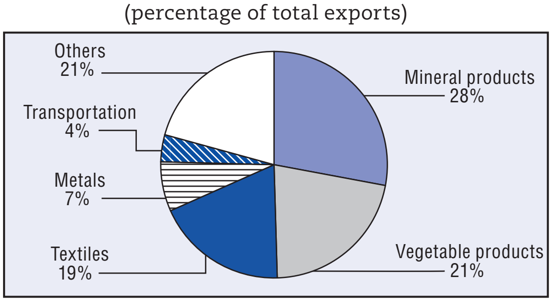
Source: OECD Development Centre, MPF-2019.

GDP per capita, 2017
(PPP, current international dollar)



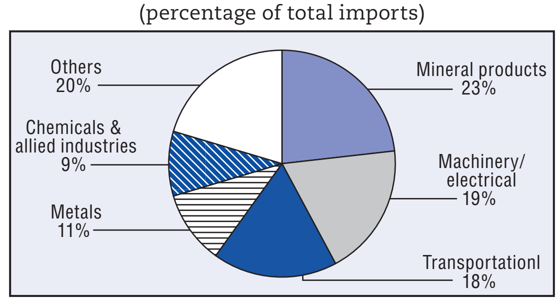
Source: IMF.

Composition of exports, 2017
(percentage of total exports)



Source: Trademap.

Composition of imports, 2017
(percentage of total imports)



Source: Trademap.

Structural policy challenges discussed in previous editions of the Outlook

2014	Business sector	Creating an environment that enables business
	Education	Upgrading education, and anticipating future demands for skilled labour
	Finance	Creating a stable and efficient financial system
2015	Statistics	Developing reliable indicators, quantifiable goals, and measurements of government performance, particularly in the areas of regulatory reform and public finance
	Budget	Developing policy-planning and budgeting, including appropriate financial support in agriculture and education
	Private sector	Co-operating with the private sector through public-private partnerships, in the setting up of new businesses, and by promoting the involvement of civil society
2016	Agriculture	Upgrading and modernising agriculture
	Education	Developing human capital
	Finance	Financing development
2017	Finance	Promoting capital markets to bolster the private sector
	Infrastructure	Supporting investment in infrastructure
	Education	Reforming higher education to deliver better quality
2018	FDI	Continuing reforms to attract foreign direct investment for development

Recent developments in policy areas covered by previous editions of the Outlook

Private-sector and foreign-direct investment: reforming legal and regulatory frameworks

- In February 2018, the Ministry of Planning and Finance released a draft version of the Myanmar Sustainable Development Plan (MSDP) for comment from other government ministries. The plan encompasses five goals, including economic stability and private-sector growth. The MSDP is to be aligned with the 12-Point Economic Policy of the Union of Myanmar, with the objective of building up the economic community of the Association of Southeast Asian Nations (ASEAN), and meeting the United Nations Sustainable Development Goals.
- A new Myanmar Companies Act was signed by President U Htin Kyaw on 6 December 2017 and came into effect on 1 August 2018. Companies are required to re-register under the act, and it includes special provisions for small firms. It also allows foreigners to own up to 35% of local companies, classifying firms with a higher share of foreign ownership as foreign firms. Regulatory approval is not necessary for firms to switch their status in this way.
- The Myanmar Investment Commission was reformed in June 2018. It is now comprised of 13 members, and it is chaired by Minister of the Office of Union Government.

Education: reforming primary-level curricula

- Changes to the curriculum for Standard 2 students will be implemented for the 2018-19 school year, following changes to the kindergarten and Standard 1 curriculum implemented in the previous year. The Ministry of Education has described the curriculum changes as replacing an emphasis on learning by-heart to learning through critical thinking.

Finance: reducing restrictions on bank lending and currency trading

- In October 2017, it was announced that the Central Bank of Myanmar (CBM) would allow banks to provide loans without requiring movable and resalable assets as collateral, as long as suitable risk-management policies are in place. The change is expected to be particularly beneficial for SMEs, which tend to have fewer assets. In August 2018, the CBM announced that it would lift trading-band restrictions on foreign currency at commercial banks, abolishing a trading band of 0.8% above and below the daily reference rate in Myanmar Kyat (MMK), which is set by the central bank.

Budget: changing the fiscal year and reforming tax administration

- In October 2017, the Pyidaungsu Hluttaw approved a presidential proposal to change the period of the government's fiscal year from April 1 to March 31 to a calendar running from October 1 to September 30. The change begins in October 2018. The Deputy Minister for Planning and Finance explained it as an effort to allow for several consistent months of business at the beginning of the fiscal year, as the country's monsoon typically runs from June until October.
- In August 2018, the Internal Revenue Department (in the Ministry of Finance and Planning), announced that a new integrated tax administration system would be introduced by 2020. The new and streamlined system will provide a centralised platform for registration and payment online.

Agriculture: planning for future development

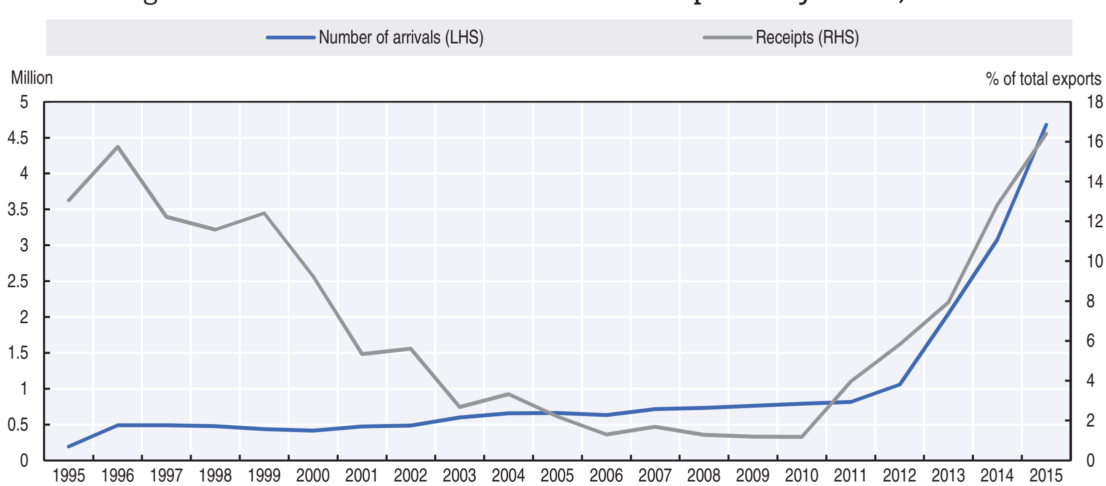
- The Ministry of Agriculture, Livestock and Irrigation launched the Agriculture Development Strategy and Investment Plan (2018/19-2022/23) on 7 June 2018. The strategy contains three pillars: governance (including planning, policy, monitoring and evaluation, and other outcome areas), productivity (including research, extension, irrigation, mechanisation and other outcome areas), and market linkages and competitiveness (including business environment, intellectual property rights, food quality and safety, and other outcome areas). The investment plan covers the responsibilities of different agencies, risks and mitigating actions, and monitoring and evaluation.

POLICY FOCUS

Fostering the inclusive development of the travel and tourism sector

Located near large population centres with rising incomes and with attractive natural, historical and cultural sites, Myanmar is well-positioned to benefit from tourism. Indeed, travel and tourism are becoming increasingly important to the country's economy. The number of annual international arrivals in Myanmar increased dramatically between 1995 and 2015, rising from 194 000 to 4 681 000 (Figure 3.10.1). Most of this growth took place from 2012-15, with annual growth rates ranging from 19.8% to 93%. Foreign visitors come primarily from elsewhere in Asia, with Thailand (15.7%), China (11.4%) and Japan (6.9%) the top sources of visitors in 2015. Receipts from international arrivals have been increasing as a share of total exports in recent years after a period of decline. Between 2010 and 2015, this share rose from 1.2% to 16.4%, totalling USD 2.3 billion in 2015. The average annual growth in the number of international arrivals and receipts (both in absolute terms and as a share of total exports) over 2011-15 in Myanmar is very high, where both have declined in recent years, on average.

Figure 3.10.1. **International arrivals and receipts in Myanmar, 1995-2015**



Source: World Bank (2017a).
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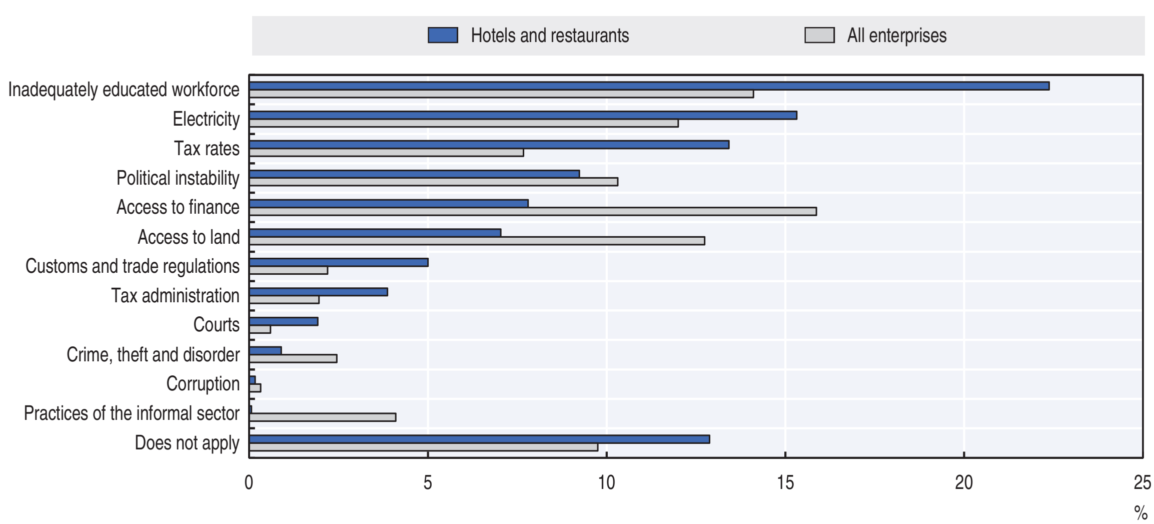
Most of the international visitors in an identified category in 2015 came as independent travellers (24%), though there were also significant numbers of individuals travelling on package tours (18%). Between 2008-15, the greatest growth among these categories has been in business travel, while the relative share of independent travellers registered the biggest fall. Domestic tourism is also sizeable. In 2015, there were 2.5 million domestic tourists, who spent an estimated MMK 733.2 billion on hotels and guest houses.

Despite this recent growth, the travel and tourism sector continues to face serious challenges in its development. Among the most pressing challenges are improving the business environment, prioritisation of policies for the sector, encouraging increased investment flows into the sector, and promoting geographic diversification in tourist destinations. The World Economic Forum's *Travel and Tourism Competitive Index Report 2015*, which scored 141 economies on the factors that enable the sustainable development of the sector, ranked Myanmar 134th – below all other Emerging Asian countries (WEF, 2015). Among the four sub-indices, Myanmar performed best relative to other countries in natural and cultural resources, in which it was ranked 103rd globally, and worst on the enabling environment, in which it was ranked 135th. Myanmar was ranked 105th in the sub-index of travel and tourism policy and enabling conditions. Meanwhile, the country received a relatively high score in international openness (71st), environmental sustainability (81st) and price competitiveness (95th), but did less well in the prioritisation of travel and tourism (117th). Continued rapid growth is expected in the sector, but additional investment and reforms are needed to seize the benefits offered by this growth.

Similarly, firms in the sector see constraints in the business environment as hampering their operations. According to firm-survey data from 2016, hotels and restaurants in Myanmar are most likely (22.4% of respondents) to identify an inadequately educated workforce as the biggest obstacle to their operations (Figure 3.10.2). Other constraints commonly identified as the most important included electricity (15.3% of respondents) and tax rates (13.4% of respondents). These results differ somewhat from the national average across all enterprises, among which the biggest constraints were identified as access to finance (15.9%), inadequately educated workforce (14.1%), and access to land (12.7%).

Figure 3.10.2. **Biggest obstacle to operations reported by firms, 2016**



Note: The results do not add up to 100%, as the figures exclude four categories with zero responses from the hotels and restaurants that responded: transport (3.4% of all enterprises), business licensing and permits (1.0% of all enterprises), labour regulations (0.8% of all enterprises), and do not know (spontaneous) (0.8% of all enterprises).
Source: OECD Development Centre calculations, using World Bank (2017b).
StatLink https://doi.org/10.1787/888933887329

Increased investment will be needed to drive further growth in travel and tourism. Indeed, FDI has been an important source of capital in the sector. Approved FDI in hotels and tourism totalled USD 300 million in 2012-13, representing 21.1% of total FDI. This share has since declined, falling to 3% in 2015-16 before increasing slightly to 6.1% in 2016-17. Much of the investment in the sector comes from other countries in the region. In 2015, investments from Singapore in hotels and commercial complexes came to USD 1.5 billion, or 56.5% of the annual total. According to the OECD's *FDI Regulatory Restrictiveness Index*, Myanmar has somewhat liberalised its regulations on foreign investment in hotels and restaurants in recent years, along with the rest of its rules for the tertiary sector and the economy in general (Figure 3.10.3). The index measures how open a country is to FDI in terms of foreign-equity limitations, discriminatory screening or approval mechanisms, restrictions on the employment of foreigners as key personnel, and other operational restrictions, across 22 sectors. From 2013 to 2015, the score for the hotel and restaurants sector declined from 0.373 to 0.248, but it remained unchanged in 2016. Still, regulations on the sector remain more restrictive than in most of the rest of Emerging Asia. Among the nine countries in the region covered by the index, regulatory restrictiveness was only higher in 2016 in the Philippines (0.320) and Lao PDR (0.280).

Figure 3.10.3. **FDI Regulatory Restrictiveness Index in selected sectors in Emerging Asian countries**

Source: OECD (2017).

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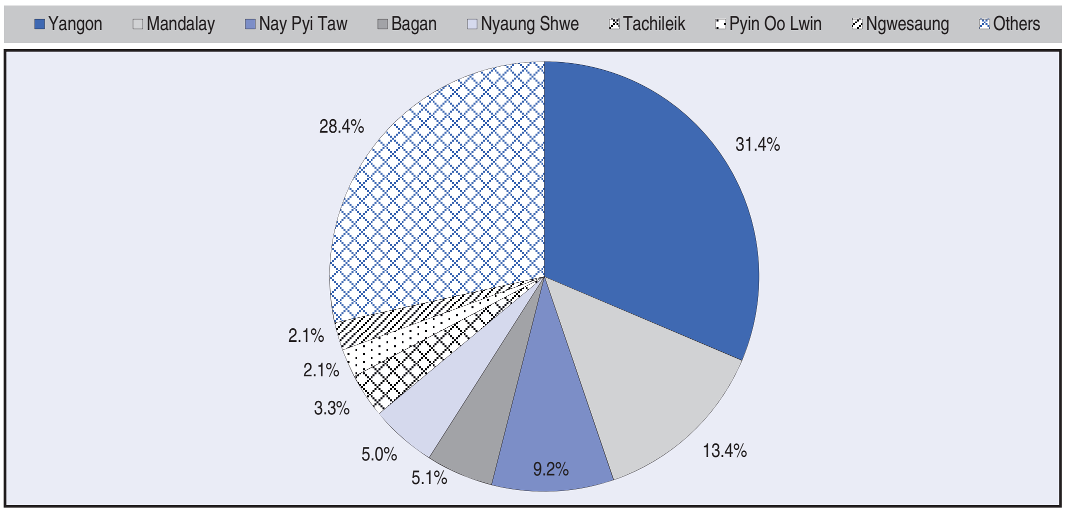
The geographic concentration of tourism in Myanmar could act as a constraint on future growth and on the possibilities for fostering inclusive growth throughout the sector. On the other hand, improved domestic travel options and sector standards, as well as increased investment, could help to diversify the sector geographically. For now, though, domestic and international travel and tourism in Myanmar are fairly concentrated in a small number of locations. For example, 71.6% of the country's hotel, motel and guest house rooms in 2016 were found in just eight sites. These were: Yangon (31.4%), Mandalay (13.4%), Nay Pyi Taw (9.2%), Bagan (5.1%), Nyaung Shwe (5.0%), Tachileik (3.3%), Pyin Oo Lwin (2.1%) and Ngwesaung (2.1%) (Figure 3.10.4). As tourism expands, protections may be needed to manage growing numbers of visitors at sensitive historical, cultural and environmental sites. Meanwhile, attracting more visitors to new destinations in the country may reduce the strain on accommodations and other services at popular sites and help to better distribute the direct and indirect gains from travel and tourism.

Figure 3.10.4. **Number of hotel, motel and guest house rooms by location, 2016**



Source: MOHT (2017).

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In recognition of the sector's potential, and of the need for reform in order to realise it, the government is pushing ahead with a number of initiatives, including branding programmes and addressing broader concerns such as infrastructure development, health and hygiene, access to electricity, and the development of telecommunications services. The Ministry of Hotels and Tourism's *Myanmar Tourism Master Plan 2013-2020* outlined six strategic programmes towards the goal of maximising the sector's contribution to employment and income generation in as inclusive a manner as possible. These are: strengthening the institutional environment, building human-resource capacity and promoting service quality, strengthening safeguards and procedures for destination planning and management, developing quality products and services, improving connectivity and tourism-related infrastructure, and building the image, position and brand of Tourism Myanmar. The 38 projects planned under these programmes on issues including training and the development of new rules and guidelines were estimated to cost USD 486.8 million in total, with 23 priority projects costing USD 215.6 million. Alongside these domestic initiatives, Myanmar is contributing to ASEAN initiatives that promote travel and tourism at the regional level (Box 3.10.1).

Box 3.10.1. **ASEAN initiatives are addressing common challenges in travel and tourism**

Regional co-operation is helping to foster the development of travel and tourism in ASEAN member countries. Tourism is one of nine sectors covered under the "enhanced connectivity and sectoral co-operation" characteristic of the ASEAN Economic Community Blueprint 2025, which outlines a vision for the sustainable and inclusive development of the sector through measures including promotion, diversification, human capital development, and mainstreaming local community and PPP participation in tourism value chains. These goals are further elaborated upon in the ASEAN Tourism Strategic Master Plan 2016-2025. Among other initiatives, it notes the importance of implementing ASEAN tourism standards and the ASEAN Mutual Recognition Arrangement on Tourism

Box 3.10.1. **ASEAN initiatives are addressing common challenges in travel and tourism** *(cont.)*

Professionals (MRA-TP). The MRA-TP was adopted by the ASEAN Tourism Ministers in 2009. It seeks to facilitate the mobility of certified ASEAN Tourism Professionals (ATMs) within the region and exchange information on best practices in training professionals in the sector. It is underpinned by the ASEAN Common Competency Standards for Tourism Professionals (ACCSTP), the Common ASEAN Tourism Curriculum (CATC), and the Regional Qualifications Framework and Skills Recognition System (RQFSRS).

Further work can also be done in implementing the ASEAN Framework Agreement on Visa Exemption for ASEAN Nationals, which was signed by the ASEAN Foreign Ministers in 2006 and will enter into force once ratified by all ASEAN member countries. It has been ratified by Myanmar. The Agreement allows two weeks visa-free entry for ASEAN nationals traveling within the region to promote business and personal travel within ASEAN. While the Agreement remains not in effect, bilateral agreements on visa exemptions have been made; Myanmar currently has bilateral visa exemption agreements with the nine other ASEAN member countries.

Liberalised air travel through ASEAN's Open Skies policy has faced hurdles before and since its implementation at the beginning of 2015, but should help to improve competition in international travel in the region. Alongside these developments, improvements are needed to domestic passenger transportation systems for long-distance and local travel. According to ADB estimates, USD 60 billion in infrastructure investments may be needed over 2016-30 (ADB, 2016).

A number of challenges relating both to travel and tourism itself and also to general infrastructure raise costs in the sector and can discourage investment. However, Myanmar's investments in developing infrastructure are helping to address the country's deficit in that regard, while also addressing constraints in the travel and tourism sector. Expansions, upgrades, and the construction of new airports across the country are facilitating more international travel to Myanmar. This includes the ongoing three-phase expansion of Yangon International Airport and the planned construction of a new Hanthawaddy International Airport in Bago. In July 2017, the Department of Civil Aviation announced that it would call for tenders for upgrading Kawthaung Airport in Tanintharyi Region, Mawlamyine Airport in Mon State and Heho Airport in Shan State through PPPs. These investments will help to build up the country's capacity to manage further growth in passenger air travel and air freight transport. Indeed, registered carrier departures (both international and domestic) from Myanmar have already increased – from 10 329 in 2000 to 60 627 in 2016. Moreover, additional growth is anticipated in the future. Beyond infrastructure investment, travel was also previously facilitated through the streamlining of the visa application process, allowing for visas to be issued the same day by embassies and consular offices and visas on arrival with prior arrangement with the Ministry of Hotels and Tourism. An e-visa service was introduced in 2014, and an expansion of the visa-on-arrival system was announced in 2017.

Efforts are being made to expand educational programmes to prepare workers with the skills needed in the travel and tourism sector. Established in 1992, the Ministry of Hotels and Tourism's (MOHT) Tourism and Training School offers courses for tour guide training and tourism management. MOHT and the Ministry of Education introduced a four-year degree programme in tourism beginning in the 2012/13 academic year at the National

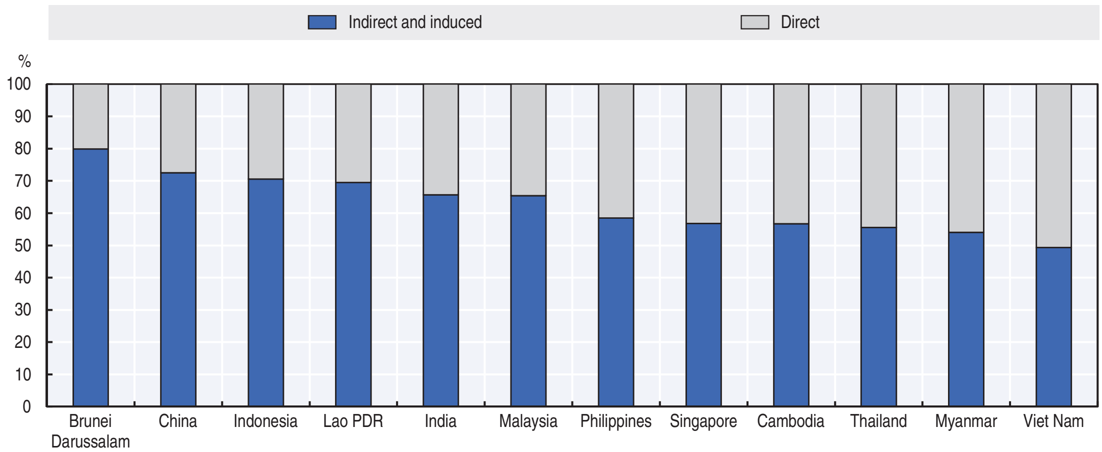
Management Degree College in Yangon and Mandalar Degree College in Mandalay, as well as collaborating on capacity building for Yangon University's tourism department. In June 2016, the Hospitality Training School was opened, under the guidance of the Ministry and with the assistance of the Myanmar Tourism Federation and Luxembourg Agency for Development Cooperation. It offers front office, housekeeping, and food and beverage courses. Various vocational programmes are also offered around the country.

These initiatives for fostering the development of travel and tourism are important for driving growth and development, as the sector can be a significant creator of jobs and income. In 2016, it was estimated that travel and tourism directly supported 804 000 jobs (or 2.7% of total employment). Including indirect employment, that figure rose to 1 662 000 jobs (5.7% of total employment). Over the next ten years, it is forecasted that direct employment from travel and tourism will increase by 4.8% annually and that indirect employment will grow by 3.8% a year, totalling 1 296 000 and 2 387 000 jobs in 2027 respectively (WTTC, 2017). As many of these positions will require specific skills, training programmes will need to be a central plank of the sector's development and growth.

Effective policy strategies are needed to ensure that the benefits of growth in travel and tourism are widely shared. Indeed, a great deal of tourism expenditure can end up flowing to large international firms in transportation and accommodation, and quality jobs may require specialised training that is not accessible to all. Inclusiveness can be improved by encouraging the growth of community-based tourism. The hotels and tourism ministry defines this as the kind of tourism that "a significant number of local people have substantial control over and involvement in, with a high proportion of benefits remaining within the local economy" (MOHT, 2013). This may be fostered through the establishment of community funds for local development from tourism revenues (which are already being used in a few sites in Myanmar) and the development of local training opportunities. Community-led initiatives can also have the added benefit of preserving local cultural heritage. Guidelines such as the UNWTO Global Code of Ethics for Tourism can also help to direct sector stakeholders when addressing concerns regarding the quality of jobs in travel and tourism and the social effects of the sector's growth.

A significant share of the potential receipts from travel and tourism are lost due to under-developed linkages with local producers. Improving linkages with domestic suppliers – particularly smaller firms – could further improve indirect and induced economic activity and job creation, benefitting inclusive growth, as recognised in the *Myanmar Tourism Master Plan 2013-2020*. According to estimates by the World Travel & Tourism Council, the indirect and induced financial impacts of travel and tourism as a share of the sector's total contribution to gross domestic product (GDP) have fallen slightly as the sector has grown in recent years. They fell from 58.9% in 2009 to 54.0% in 2016, which is a lower share than in most of the rest of Emerging Asia (Figure 3.10.5). A value-chain model for Myanmar's tourist-guide sector highlights the many opportunities for firms to participate indirectly in tourism, through input supply, production, wholesale, retail and consumption segments (ILO, 2017). Additional domestic investment in hotels and other areas of travel and tourism could also help to develop these linkages. Smaller firms in particular may benefit from policies encouraging improved production, fostering inter-industry linkages, developing infrastructure, and reducing unnecessary regulatory burdens and transaction costs.

Figure 3.10.5. **Contributions of travel and tourism to GDP in Emerging Asia, 2016**



Source: OECD Development Centre calculations, using WTTC (2017).
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In addition to these specific concerns for policy makers in Myanmar, many of the new challenges it faces in developing the travel and tourism sector are common to other countries as well. The *OECD Tourism Trends and Policies 2016* report highlights international challenges being faced, including the rapid growth of international tourism, new consumer trends, digitalisation, security issues and adaptation to climate change (OECD, 2016). Focusing on addressing the need for seamless transportation links and adapting to the sharing economy, the study recommended a number of policy reforms. These include integrating travel and tourism considerations in transport infrastructure planning, encouraging the use both of integrated ticketing and pricing and of destination smart cards, using timely and accurate information and navigation tools, considering the impacts of the sharing economy both on tourism and on broader policy objectives, and strengthening data collection and research on the effects of the sharing economy on the sector.

Key government ministries in Myanmar

President	Win Myint
State Counsellor	Aung San Suu Kyi
Vice President 1	Myint Swe
Vice President 2	Henry Van Thio
Agriculture, Livestock and Irrigation	Aung Thu
Border Affairs	Ye Aung
Commerce	Than Myint
Construction	Han Zaw
Defence	Sein Win
Education	Myo Thein Gyi
Electricity and Energy	Win Khaing
Ethnic Affairs	Naing Thet Lwin
Finance and Planning	Soe Win
Foreign Affairs	Aung San Suu Kyi
Health and Sports	Myint Htwe
Home Affairs	Kyaw Swe
Hotels and Tourism	Ohn Maung
Industry	Khin Maung Cho
Information	Pe Myint
International Cooperation	Kyaw Tin
Labour, Immigration and Population	Thein Swe

Key government ministries in Myanmar

Natural Resources and Environmental Conservation	Ohn Win
Religious Affairs and Culture	Aung Ko
Social Welfare, Relief and Resettlement	Win Myat Aye
Transport and Communications	Thant Sin Maung
Governor of the Central Bank	Kyaw Kyaw Maung

Note: Valid as of 16 October 2018.

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