

POLICY CHALLENGES IN IMPLEMENTING NATIONAL DEVELOPMENT PLANS

Myanmar



This Note is an extract from the *Economic Outlook for Southeast Asia, China and India 2015: Strengthening Institutional Capacity*, <http://dx.doi.org/10.1787/saeo-2015-en>.

Myanmar

A. Medium-term economic outlook (forecast, 2015-19 average)

GDP growth (percentage change): 7.8
Current account balance (% of GDP): -5.1

B. Medium-term plan

Period: 2012-15

Theme: Development of industry, balanced development, improvements in education, health, living standards and statistical capacities

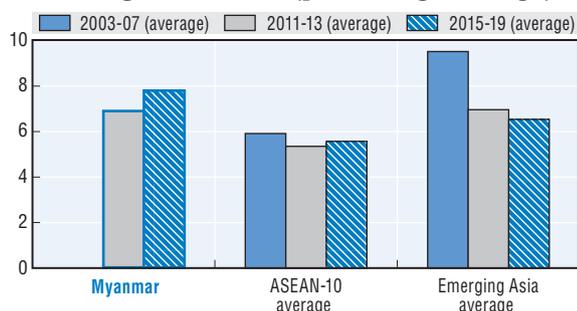
C. Basic data (in 2013)

Total population: 65 million*
Population of Nay Pyi Taw: 1 million (in 2009)**
GDP per capita at PPP: 1 740 (current USD)***

Note: * Total population data for 2013 are estimates.
**Provisional results of Census 2014: 1.16 million.
*** IMF estimate.

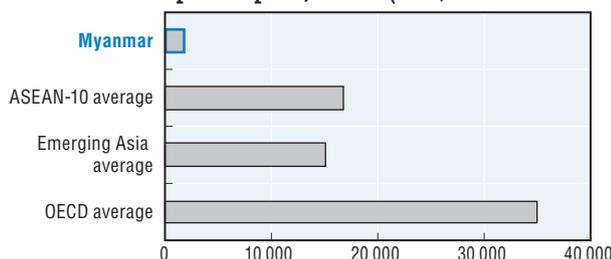
Sources: OECD Development Centre, MPF-2015, national sources and IMF.

GDP growth rates (percentage change)



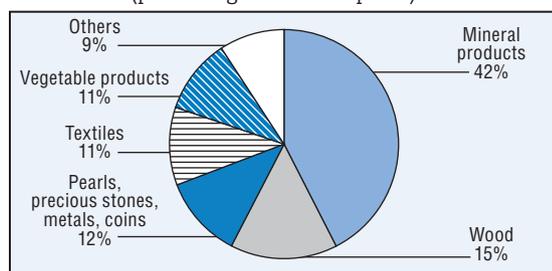
Source: OECD Development Centre, MPF-2015.

GDP per capita, 2013 (PPP, current USD)



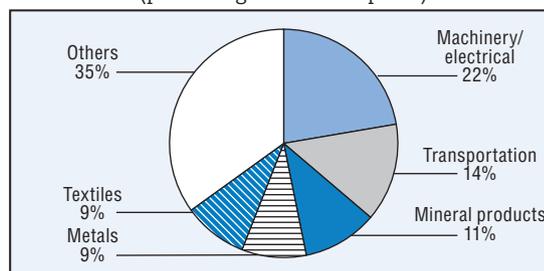
Source: IMF.

Composition of exports, 2013 (percentage of total exports)



Source: Trademap.

Composition of imports, 2013 (percentage of total imports)



Source: Trademap.

Summary of the medium-term development plan: Balanced economic growth, social development and better statistics

Although Myanmar has a history of national and sector development plans, it has introduced new medium- and long-term planning tools with its liberalising reforms. The *Framework for Economic and Social Reforms* (FESR)¹ identifies policy priorities for the period 2012 to 2015. It acts as a bridge between the *Fifth Five-Year Plan* (2011-12 to 2015-16) on one hand and, on the other, the reform-oriented *National Comprehensive Development Plan* (2011-31) and the future five-year plans that will support it. The Ministry of National Planning and Economic Development co-ordinates and drafts the FESR after consulting with other ministries and departments.

The FESR reflects the progress that the new government has made since it was elected in March 2011 and its continuing commitment to the socio-economic reform

goals in the near future in: tax and public finance, monetary policy and finance, trade and investment, private sector development, health and education, food security and agriculture, governance and transparency, mobile phones and the Internet, infrastructure, and government effectiveness and efficiency.

The proposed sequencing of reform gives priority to macroeconomic measures, followed by various quick wins in areas that do not need further analysis or consensus-building before they take action. Other high priorities are sectoral and institutional reform to improve competition and productivity, and long-term structural and governance reforms (Table 2.3.1).

Table 2.3.1. Myanmar's key medium-term development targets 2011-12 to 2015-16

	Initial status	Current status	Target (2015-16)
Economic performance			
Annual GDP growth (%)	6.4* (2012-13)	6.8** (2014-18, estimate)	7.7
Industry share of GDP	26% (2010)	32% (2012)	Increase
GDP per capita	USD 880 (2010)	n/a	30%-40% increase (USD 1 144 to USD 1 232)
Poverty	n/a	n/a	Reduce rate by half
Inflation	n/a	Recent increases	Maintain low inflationary pressures
Regulatory and governance reforms			
Data collection for GDP, revenue and other statistical purposes	n/a	Started	Revise and improve collection and make data publicly available
Public financial management	n/a	Little progress	Reform management and improve budget transparency
Tax system	n/a	Started	Simplification of tax system
Public-private partnerships	n/a	Started	Establish PPP legal framework
State-owned economic enterprises	n/a	Some privatisation	Privatise some SEE activities
Banking regulation	n/a	Some reform	Allow banks to lend for longer than one year and use moveable assets as collateral
Mobile phones	10.3% of population subscribed (2012)	Some reform, recent phone use by 50% of urban residents	Liberalise market and achieve 80% penetration
Extractive Industries Transparency Initiative (EITI)	n/a	Likely delayed	Adopt the EITI and establish supporting administration in the next two years
Yangon transportation	n/a	n/a	Allow Yangon bus fares to increase or reduce bus import duties
Public services			
Healthcare financing	n/a	n/a	Introduce innovative methods of health financing and improve resource allocation
Education financing	n/a	Started	Expand the scale and scope of school grants
Conditional cash transfers	n/a	Started	Consider introducing CCTs
ICT education	n/a	n/a	Support ICT training in schools and through worker training
Agriculture extension services	n/a	n/a	Increase services provided
Government loans to farmers	n/a	Large increase in seasonal loans, less in development loans	Increase loans
Infrastructure development			
Employment guarantee scheme	n/a	n/a	Consider establishing an employment guarantee scheme for public works
Electricity generation	Zero combine cycle plants	Multiple projects started	Replace all 14 gas turbine plants with combined-cycle plants
Transportation infrastructure	n/a	Started	Upgrade airports and transportation links to promote tourism

Notes: * IMF estimate for real GDP growth in 2012-13 (IMF, 2013b); **Taken from the OECD Economic Outlook for Southeast Asia, China and India 2014: Beyond the Middle-Income Trap.

Source: OECD Development Centre's compilation based on national sources.

Myanmar's development plan and implementation

Policy challenges of implementing the national plan in Myanmar

- Introduce reliable indicators, measurable goals and measurements of government performance to make planning and monitoring effective, particularly in regulatory reform and public finance.
- Develop policy planning and budgeting, which includes appropriate financial supports in agriculture and education.
- Ensure co-operation with the private sector through PPPs, enable business start-ups and foster civil society, because all are important to Myanmar's on-going transition.

The Framework for Economic and Social Reforms retains the optimistic macroeconomic outlook of past plans

The goal for average annual GDP growth remains the 7.7% originally set out in the *Fifth Five-Year Plan* – higher than the 6.8% for 2014-18 forecast by the OECD (2013a). As even acknowledged in the FESR itself, the government's estimations of Myanmar's growth have been considerably higher than those produced by other organisations in the recent past. Although Myanmar has recently been through a bout of high inflation after a period of moderation, the statutory independence of the Central Bank of Myanmar – enshrined in the Central Bank Law of 2013 – should enable it to better manage monetary policy and future inflationary pressure.

Better quality of data is needed for effective planning

While the FESR restates the government's commitment to the Millennium Development Goal (MDG) of cutting poverty to half of 2000 levels by 2015, no reliable information on the incidence of extreme poverty – the percentage of the population living on less than USD 1.25 per day – is available to determine what has been achieved. The government is, however, now seeking to improve estimates of GDP and other economic indicators by working with the UNDP to survey private-sector businesses as a first step in developing a System of National Accounts.

Financial regulation and public finances are still in need of much reform

Reform in financial sector regulation has been gradual. Loan terms are still limited to one year, for example, although some additional forms of collateral (such as machinery, gold and jewellery, deposits, and exportable crops) have been approved.

As for public finances, they are still opaque in Myanmar. Budgets have been criticised for the lack of accessibility and transparency shrouding allocations and sources of revenue, and for the insignificant reforms in the 2013 Budget. However, with the tax reform law coming into force in March 2014, the government is now working to make potentially significant changes to its tax system.

Support for agriculture is increasing, but not necessarily where it is needed

Agricultural lending has increased dramatically – most noticeably between 2011-12 and 2012-13, when seasonal loans from the Myanmar Agriculture Development Bank (MADB) rose from MMK 312 billion to over MMK 1 trillion (Figure 2.3.1). The value of longer-term development loans for the major purchases, like machinery, has also risen

since 2011-12, although they are available only for restricted sets of investments and far less total funding is in fact available. Government support for development loans is inconsistent from one year to the next, however, and the MADB has occasionally used its own funds to make loans in years when the government has contributed only to seasonal lending.

Progress in infrastructure development is in its early stages

Work to meet the FESR infrastructure targets is still in its early stages and there is still a long way to go. While the public works employment guarantee scheme is still only a proposal, financing agreements are being developed to replace Myanmar's 14 gas turbine power plants with more efficient combined-cycle plants. As part of efforts to improve international transportation infrastructure, construction contracts have been awarded for expanding Yangon International Airport, building a new airport in nearby Pegu and refurbishing the airport that serves Myanmar's second-largest city, Mandalay.

While funding for education is increasing, it is not transforming schools as planned

The Ministry of Education is gradually rolling out schemes that offer grants to primary schools and stipends to primary pupils. Between 2012-13 and 2013-14, average grants increased from USD 50 to USD 250 for small schools, from USD 80 to USD 300 for medium-sized schools and from USD 100 to USD 400 for large schools. That trend will have to continue over the next three years to USD 900, USD 1 200 and USD 1 800 if the government's School Grants Programme is to meet its targets (Figure 2.3.2).

The government also plans to expand the Student Stipends Programme, which currently grants monthly stipends to about 11 000 students in 33 of Myanmar's 330 townships. The aim is to widen the programme to an estimated 200 000 students in 40 townships selected on the basis of drop-out rates and poverty indicators.

While the intention is to use grants and stipends to increase transparency and community participation in education, a preliminary assessment by external consultants warned that implementers did not always understand the programmes and that few community-based school-related organisations were participating.

Preliminary steps are opening up space for private enterprise and civil society

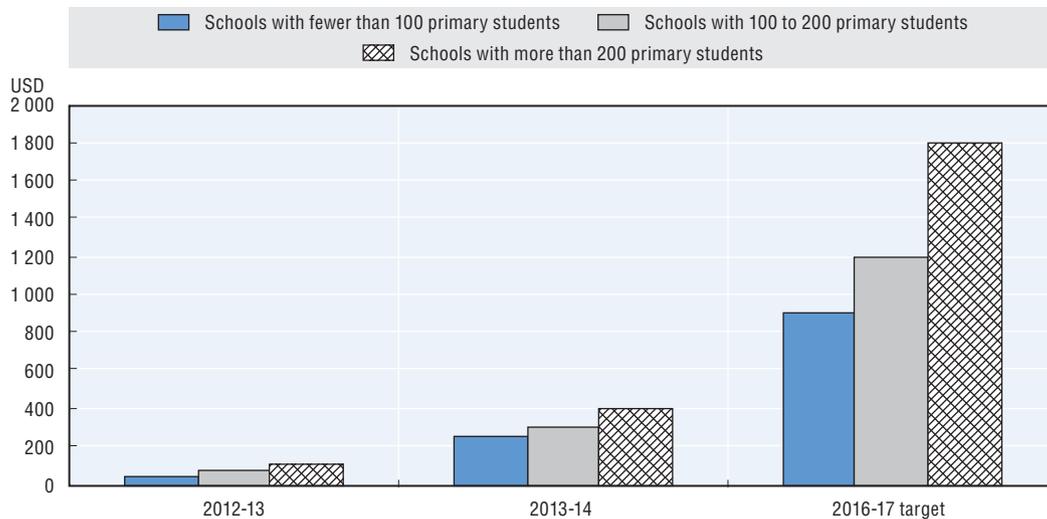
Myanmar could do more to engage with civil society. Its admission as a candidate to join the Extractive Industries Transparency Initiative (EITI) in 2014 was successful, though delayed. The EITI Cooperation Office (MEITI) suggested the Myanmar's difficulties in working with civil society groups – an essential component of the initiative – could further delay its becoming EITI-compliant until 2016 or 2017.

As for private enterprise, the government's plan to put in place a framework for PPPs is still in its early stages, with external partners facilitating discussions on opportunities and ways to improve relevant government capacities.

The government has announced plans to privatise all domestic airport management operations and some railway lines, and it has actually started to open up the mobile phone market. In June 2013 licenses were awarded to Singtel and Digicel, with the latter stating its intention to expand service to 96% of the population by 2016. While the results of a 2013 survey suggest that mobile phone use is greater than previously thought and spreading rapidly – at least in urban areas – it remains unclear whether the FESR target of 80% mobile phone penetration is achievable by 2015-16. The continued opening-up of the market should help, however.

Figure 2.3.1. Myanmar Agriculture Development Bank’s loans to farmers, 2000-01 to 2012-13

The bank’s annual seasonal and development lending

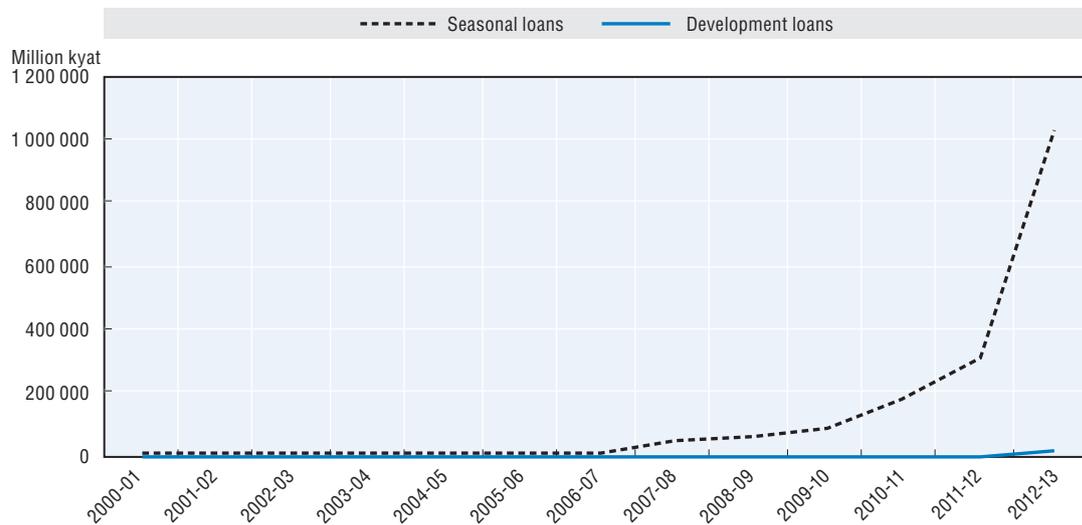


Source: MADB (Myanmar Agriculture Development Bank) (2013), Welcome to MADB (presentation), MADB, Yangon.

StatLink <http://dx.doi.org/10.1787/888933179678>

Figure 2.3.2. School grants by size of establishment

Average value of grant in USD



Source: Myanmar Development Research (2014), Draft Preliminary Social Assessment: Myanmar Decentralizing Funding to Schools Programme, World Bank, Washington DC.

StatLink <http://dx.doi.org/10.1787/888933179682>

Note:

1. This review is based on the Final Draft of the *Framework for Economic and Social Reforms – Policy Priorities for 2012-2015 towards the Long-Term Goals of the National Comprehensive Development Plan*, January 14, 2013 (MNPED, 2013).

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