PUBLIC FINANCE MANAGEMENT REFORM IN MYANMAR

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Presentation Outlines

- PFM Reform and MMPFM project in Myanmar
- Reform Progress in Tax Revenue
- Reform Progress in Planning and Budgeting
- Future Plans
- Challenges
PFM Reform And MMPFM Project In Myanmar
Background History of PFM Reform

- Initiated fiscal sector reform in accord with the Framework of Economic and Social Reform (FESR) Since 2011
- Joined PEFA program for comprehensive review of PFM in 2012
- Conducted Public Expenditure Review - 1st Phase achieved preliminary findings for six areas (Macro Fiscal Context, Broad Revenue and Expenditure, Intergovernmental Fiscal Relation, Electric Power and Energy, Health, Education) - World Bank
- Cooperation with IMF for strengthening PFM System, for strengthening Treasury Function, and for analyzing Budget formulation.
- Organized PFM Sub-SWG under Public Administration Working Group among 17 SWGs (Nay Pyi Taw Accord)
- Established PFM Reform Strategy with respect to the findings of PEFA Report and PER
- Implemented the Myanmar Modernization of Public Finance Management Project (MMPFM Project) (from 2014 to 2019)
Objective of MMPFM Project

“To support efficient, accountable and responsive delivery of public services through the modernization of Myanmar’s PFM systems and strengthening institutional capacity”
Implementation Arrangements for PFM Modernization Project

A. Revenue Mobilization
B. Budget Preparation and Planning
C. Budget Execution
D. External Oversight
E. Capacity Building

Key Implementing Agencies
- Budget
- Treasury
- MEB
- IRD
- Planning
- AGO
- PAC

Project Financing
- IDA 16 Credit WB
- Grant from DFID and AusAid
- Budget Allocation

Committees and Units for Implementation
- Executive
- Secretariat
- FMU
- PCAU
Component A: Revenue Mobilization

- Increase tax revenue through mobilizing tax administration
- Improve tax compliance and taxpayers service
- Bring revenue from natural resources on budget with transparent reporting through EITI
Reform Progress

• Conducting Tax Policy and Tax Administration Reform
• Establishing Large Taxpayer Office (LTO) and Medium Taxpayer Office (MTO 1, 2 & 3)
• Transformed Official Assessment System (OAS) into Self Assessment System (SAS) and Started to practice at LTO and MTO 1
• Identified Specific Goods Tax and Enacted Specific Goods Tax Law in 2015
• Changed Commercial Tax to Value added tax and special commercial tax
• Updated the information technology system
• Installing IT Equipment
• Increased Tax to GDP ratio year by year
Tax Administration Reform

Tax Revenue

- **Large Tax Payer Office**
- Administrative assessment to Self-assessment system
- Tax-type organization towards a system of functional organization

Tax collection from 7.53% of GDP in FY2013/14 (PA) to 7.39% of GDP in FY2016/17 (RE)
Reform Progress in Planning and Budgeting
Component B: Budget Preparation and Planning

B1: Supporting policy based budgeting and budget preparations

B2: Responsive planning and investment management

- Target to support the new mandates of the budget and planning departments and the evolving decentralization process in Myanmar
- Improve budget guidelines and rules/regulations governing budgeting
- Establish budget policy and fiscal policy function and capacity
- Develop an appropriate intergovernmental fiscal system
Reform Progress of Component B

- Separate the consolidated State Fund Account into Union Fund Account and States/Regions Fund Account since 2011
- Practiced Medium Term Fiscal Framework (MTFF) since 2015-2016 FY in order to improve budget formulation process year by year in accord with the international standard to support macroeconomic stability and development

- Allocate more expenditure to Social Sector Budget (Such as Education & Health) by setting up the top policy among Expenditure Policies, with respect to prioritized areas of the country
- Provided subsidies and fiscal transfers to the States/Regions, with the practices of MTFF according to the six specific economic indicators:
  - Total population
  - Poverty index
  - Per capita GDP
  - Area
  - Urban population as percent of total state population
  - Per capita tax collection
- Developed a system of top-down budgeting and bottom-up planning
- Formulated budget policy and fiscal policy functions and needed capacity
- Improved fiscal decentralization
- Improved fiscal transparency (Published Enacted Budget Law in newspaper and Ministry’s Website, Published Citizen’s Budget started from 2015-16 Fiscal Year)
Budget Allocated by Functions (2016-17 FY)

- Electronic & Energy: 24.32%
- Planning and Finance: 20.82%
- Defence: 14.31%
- Education: 8.05%
- Agriculture and Irrigation: 5.79%
- SEE (External): 5.63%
- Transport and Telecommunication: 4.29%
- Industry: 2.78%
- Health & Sports: 4.20%
- Others: 2.49%
- CBM: 1.52%
- Home Affair: 1.49%
- Construction: 2.48%
- Forest Conservation: 1.92%
- Others: 2.40%
Social Sector Expenditure to Total Government Expenditure

(%)
Future Plans
Taxation

- Continue tax administration and policy reforms – rolling out SAS to MTOs and developing a Tax Administration Procedures Law
- Enhancing Tax to GDP ratio from 6.2 percent in FY 2012/13 to over 10 percent by FY 2018/19: increasing tax collections from large taxpayers by strengthening tax administration
- Reviewing and Revising the existing taxation laws and enacting new laws in accordance with fiscal policy,
- Centralizing processing, taxpayers services and telephone management across large and medium taxpayers and installation of required IT software.
- Promoting the standard of auditing by using Computer Assisted Audit Technique, enhancing capacity of the staff by organizing trainings on local and international auditing
- Implementing e-Lottery System
- Establishing Small Taxpayer Office
Planning and Budgeting

- Developing more comprehensive ways to integrate Plan and Budget (current and capital budgeting process)
- To enhance Budget Creditability: out-turn compared to original approved
- Making an effort to reduce supplementary budget request system and to exercise yearly estimate
- To achieve fiscal transparency in line with global good practice by preparing to publish eight key documents with comprehensive reliable information to enhance the level of Fiscal Transparency year by year in timely manner
- Reviewing the role of State-owned enterprises in budget in order to enhance level of fiscal transparency of state-owned enterprises
- Disseminating PFM Law and Establishing PFM Academy
Challenges

- Tax to GDP ratio is still low comparing with the Asian Countries.
- Need to enhance the levels of compliance
- Need to review and update the existing tax systems, procedures and approaches
- Need to develop a monitoring framework to support more comprehensive revenue and expenditure allocation and integrated recurrent and capital budget process by policy priorities
- Need to make used of public resources efficient and have public service deliveries
- Effective Management Framework for Capacity Building
- Need to developing systematic intergovernmental fiscal management to States and Regions
THANK YOU