Myanmar Budget Brief

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Acronyms

BE	**BUDGET ESTIMATE**
CBM	**CENTRAL BANK OF MYANMAR**
CDM	**CIVIL DISOBEDIENCE MOVEMENT**
CERP	**COVID-19 ECONOMIC RECOVERY PLAN**
CIT	**CORPORATE INCOME TAX**
FY	**FISCAL YEAR**
GDP	**GROSS DOMESTIC PRODUCT**
IRD	**INTERNAL REVENUE DEPARTMENT**
MCCT	**MATERNAL AND CHILD CASH TRANSFER**
MMK	**MYANMAR KYAT**
MOE	**MINISTRY OF EDUCATION**
MOHS	**MINISTRY OF HEALTH AND SPORTS**
MOPF	**MINISTRY OF PLANNING AND FINANCE**
MSWRR	**MINISTRY OF SOCIAL WELFARE, RELIEF AND RESETTLEMENT**
SEE	**STATE ECONOMIC ENTERPRISE**
SGT	**SPECIAL GOODS TAX**
TA	**TEMPORARY ACTUAL**
USD	**UNITED STATES DOLLAR**
WB	**WORLD BANK**

Preface & Acknowledgments

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Executive summary

1

The fiscal deficit is projected to remain wide in FY 2023 and FY 2024

WE ESTIMATE THE DEFICIT to have remained elevated at around 5.4 percent of GDP in FY 2023 based on the available actual data during the six months, April – September 2022. Authorities' projections of spending and revenue in the FY 2024 budget indicate a deficit of 5.8 percent of GDP.

2

Continued reliance on central bank financing

THE PROJECTIONS PUBLISHED by the authorities indicate a rise in financing provided by the Central Bank of Myanmar (CBM), increasing from 55 to 65 percent of total financing between FY 2022 and FY 2023. The domestic securities market has been a less viable source of financing since 2021. Although the volume of T-Bond sales rose to MMK 744 billion during the first quarter of FY 2023 (April – June 2022), marking the largest quarterly amount since December 2020, the average quarterly sales volume over the first three quarters of FY 2023 remains below the levels observed before 2021.

3

Total revenues are expected to have remained broadly stable at 22.5 percent of GDP in FY 2023, with increased energy and tax revenues offsetting decreases in non-tax receipts

REVENUE FROM THE ENERGY SECTOR is estimated to have increased in FY 2023. Revenues under the Ministry of Electric Power (MOEP) and the Ministry of Energy (MOE) are estimated to increase to 8.2 percent of GDP, from 7.4 percent in FY 2022, with the majority of this revenue being contributed by oil and gas SEEs. Increased revenue in the sector is at least in part attributable to increases in the value of gas exports: the value of natural gas exports to China may have generated public revenue of as much as 1.3 percent of GDP in FY 2023.

4

Tax revenue is estimated to have increased to 5.8 percent of GDP in FY 2023, up from 5.3 percent in FY 2022

WHILE COMPLETE DATA for FY 2023 collections is not yet available, the amount collected during the first three quarters is equivalent to 85 percent of the budget target, suggesting that revenue for the full year is likely to surpass the budgeted amount. This is largely attributed to the improved collection of commercial and income taxes. The share of firms reporting non-payment of taxes decreased to 57 percent in April 2023, according to the latest World Bank Firm Survey. This is accompanied by an increasing trend in the share of tax-paying firms that report higher tax payments, increasing from 13 to 36 percent of firms between June 2022 and April 2023. Revenue from each of the three main taxes and overall revenue projections under the FY 2024 budget continue to remain below 2020 levels as a share of GDP.

5 — Total spending is estimated to reach 27.9 percent of GDP for FY 2023

SPENDING DURING THE FIRST 6 months of FY 2023 amounted to about 40 percent of the budget compared to the historical average of 38 percent of budget. When annualized, total spending is estimated to have increased by 0.4 percentage points in FY 2023, to 27.9 percent of GDP, driven mainly by SEEs and Defense. Spending in the energy sector is estimated to have grown at a faster rate than energy revenues, reaching 9.6 percent of GDP in FY 2023, up from 7.1 percent in FY 2022. The FY 2024 budget approved by the authorities indicates a significant reduction in planned overall spending to 24.5 percent of GDP.

6 — Reprioritization of spending from services to defense

THE COMBINED SPENDING on education and health has decreased from 3.6 percent of GDP in FY 2020 to 1.8 percent of GDP in FY 2023, indicating a notable shift in public spending priorities away from essential services toward defense. In 2020, spending on education and health services surpassed defense spending as a share of GDP, but it is projected to account for only around half of defense spending under the FY 2024 budget.

7 — Resources available to subnational units have declined, reversing increases that took place in 2015

SUBNATIONAL SPENDING as a proportion of general government spending increased from around 6 percent to 12 percent between FY 2013 and FY 2021. This is now budgeted to decline to 6 percent in FY 2024. The decrease in subnational spending is concentrated in Yangon and Mandalay.

8

Limited resources are available to respond to Cyclone Mocha

IN FY 2024, the authorities allocated MMK 115 billion (USD 54.8 Million or 0.35 percent of the total budget) for the contingency fund to respond the emergency events and disasters. This is consistent with contingency allocations in previous years, and will likely be insufficient to respond to Cyclone Mocha that hit on 15 May 2023.

1

Public finance trends

1   https://openknowledge. worldbank.org/ handle/10986/38008

2   These include the 6-month interim Budget Law, 6-month National Planning Law, and 6-month Citizen's Budget for October 2021 to March 2022, quarterly reports covering FY2021, and the 12-month Budget Law and 12-month National Planning Law for April 2022 to March 2023. The availability of these data is a result of the continued practice of some of the fiscal transparency measures developed as part of previous public financial management (PFM) reforms. However, access to the type of disaggregated data that was previously available is limited.

3   Starting in April 2022, Myanmar's budget calendar has changed from October–September to April–March. To accompany the change, a 6-month interim budget was introduced to bridge the end of FY2021 on September 30, 2021 and the new FY2023 that commenced on April 1, 2022. In this note, FY2021 refers to the year ended September 2021, FY2022 refers to the 6-month interim budget period, and FY2023 refers to the year ended March 2023.

1.1

Aggregate Fiscal Environment

Access to fiscal data continues to pose a barrier to a comprehensive view of the fiscal environment. This brief builds on the November 2022 budget brief[1] by incorporating publicly available documents[2]. Primarily this includes information in the recently passed 12-month Budget Law for FY 2024, the period covering April 2023 to March 2024, and the two quarterly budget execution reports covering April – September 2022.[3] The presented values for FY 2023 are annualized estimates based on the available actual data during the six months, April – September 2022.

The fiscal deficit is projected to remain wide in FY 2023 and FY 2024 (Figure 1). We estimate the defi-

cit to remain elevated at around 5.4 percent of GDP in FY2023, 0.7 percent higher than in FY 2022. In nominal terms, the expenditure estimate is close to the previously reported revised estimate (see Budget Brief November 2022) while revenue exceeds the previous estimate by about 16 percent.[4] This translates to a year-on-year nominal increase of 8.4 and 11.4 percent for revenue and expenditure respectively. Despite these increases, expenditure estimates account for a smaller share of GDP as they come up against subdued real growth in a high inflationary environment.[5] Looking ahead, both revenue and expenditure are budgeted to decrease as a share of GDP in FY2024, with a fiscal deficit increasing to 5.8 percent of GDP.

[4] We assume that revenue collected in the first six months of the fiscal year is comparable to the historical average half-yearly collection of 46 percent of total revenue. With 10.3 percent already collected in the first six months of the year, this indicates that an estimated 12.2 percent of GDP (MMK 14,696 billion) is expected to be collected in the final six months of the year.

[5] Available data indicates that headline inflation rose to 32 percent (yoy) at the end-September 2022 from 7.5 percent (yoy) end-September 2021.

FIGURE 1   FISCAL BALANCE   *% OF GDP*

REVENUE   EXPENDITURE

Note: Figures are actuals (provisional or temporary) unless specified to be budget estimates (BE). FY2023 is an estimate based on the actual spending and revenue reported by the authorities for the 6 months from April to September. GDP estimates are calculated by Bank staff.

Source: MOPF - https://www.mopf.gov.mm/.

Budget outturns appear to have improved. Figure 2 illustrates the estimated outturn, that is the share of spending and revenue collection relative to total budgeted amounts. The FY 2023 estimates include annualized expenditures and revenue based on the available data for the first two quarters of FY 2023. Spending outturn is estimated to have increased and exceeded the budgeted amounts by 10 percent. Similarly, the revenue collection is expected to exceed the budgeted amounts by 16 percent, supported by improved tax collection and energy sector revenues. In the absence of full-year data,

the available information indicates an improvement in the level of spending and revenue collection, reverting to levels observed prior to 2021.

Aggregate expenditure outturn
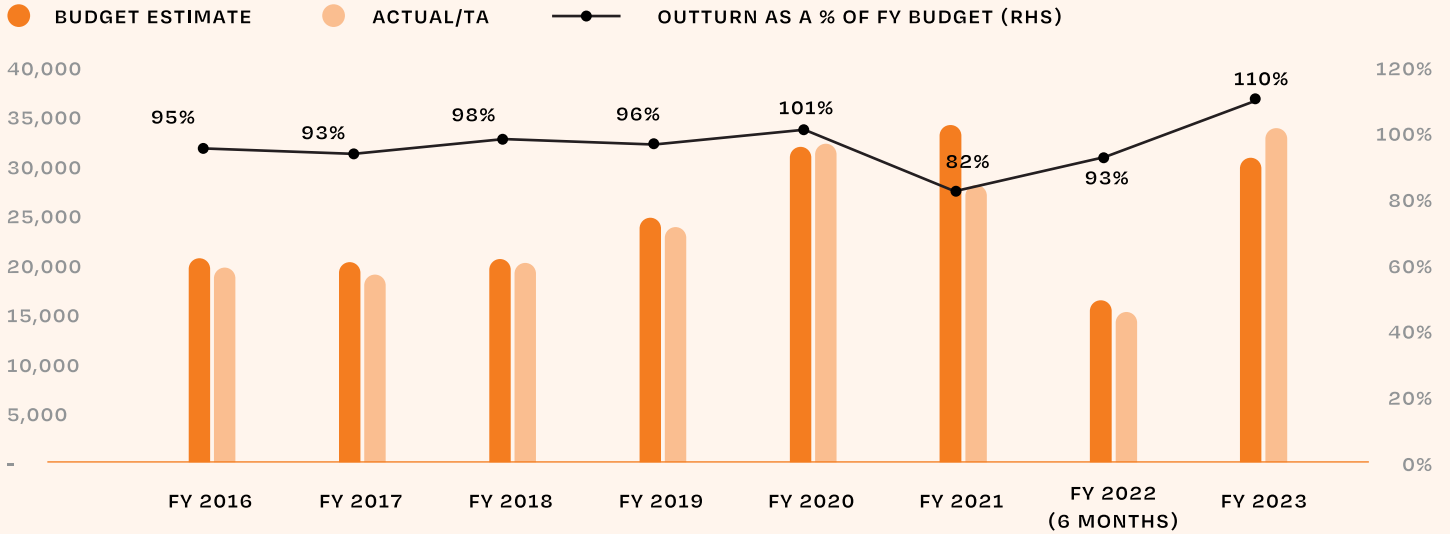
Aggregate revenue outturn

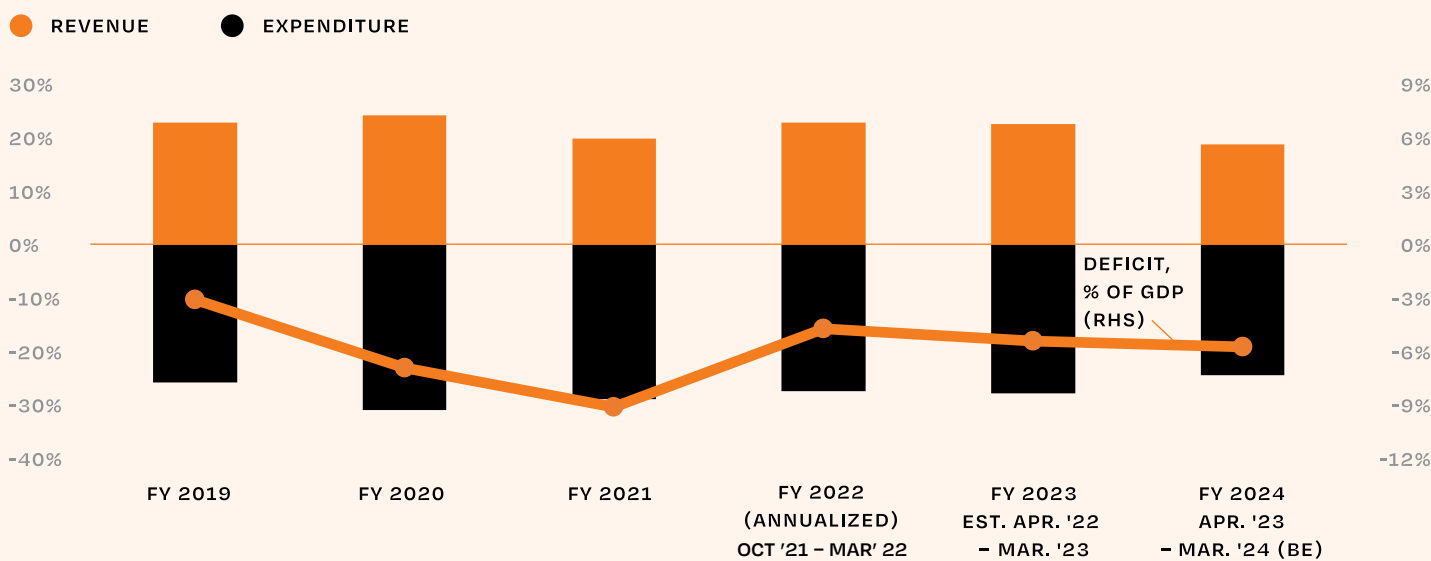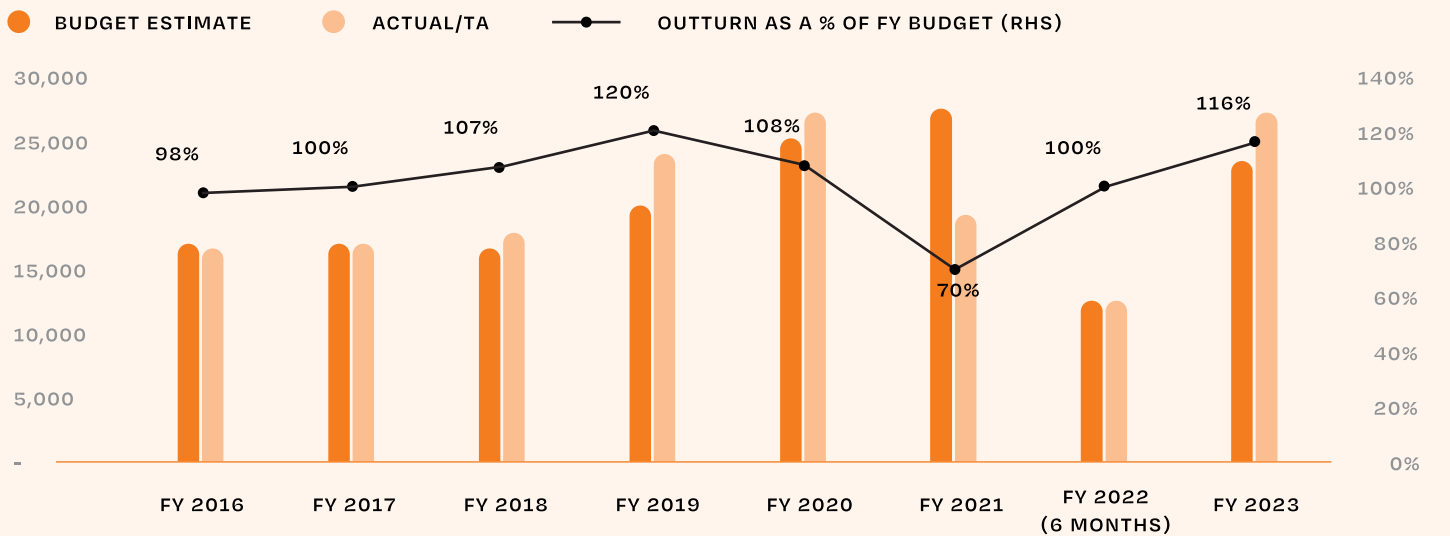Note: Actual/TA = actual outturns or temporary estimates. FY2023 are estimates based on the six-month actuals. The analysis assumes that expenditure and revenue collection in the first six months of the fiscal year is comparable to the historical average half-yearly spending and collection.

Source: https://www.mopf.gov.mm/; WB staff estimates.

1.2   Financing and debt

The use of CBM financing persists into FY 2023. The projections published by the authorities indicate a rise in the proportion of financing provided by the Central Bank of Myanmar (CBM), increasing from 55 to 65 percent between FY 2022 and FY 2023. In contrast, the financing from government securities (T-bonds and T-bills) for the same period is anticipated to decrease from 18 to 15 percent of total financing during the same period, as illustrated in Figure 3. It's important to note that the reported numbers in Figure 3 are projections by the authorities and actual data may differ. Since February 2021, the domestic securities market has been a less viable source of financing. Although the volume of government T-bonds sold rose to MMK 744 billion during the first quarter of FY 2023 (April - June 2022), marking the largest quarterly amount since December 2020, the average quarterly sales volume over the three quarters in FY 2023 remains below the levels observed before 2021 (Figure 4). Furthermore, the real value of sold government securities is even lower due to high inflation rates.

FIGURE 3   **ESTIMATED SOURCES OF FINANCING**   *FY 2022 AND FY 2023 BUDGET*
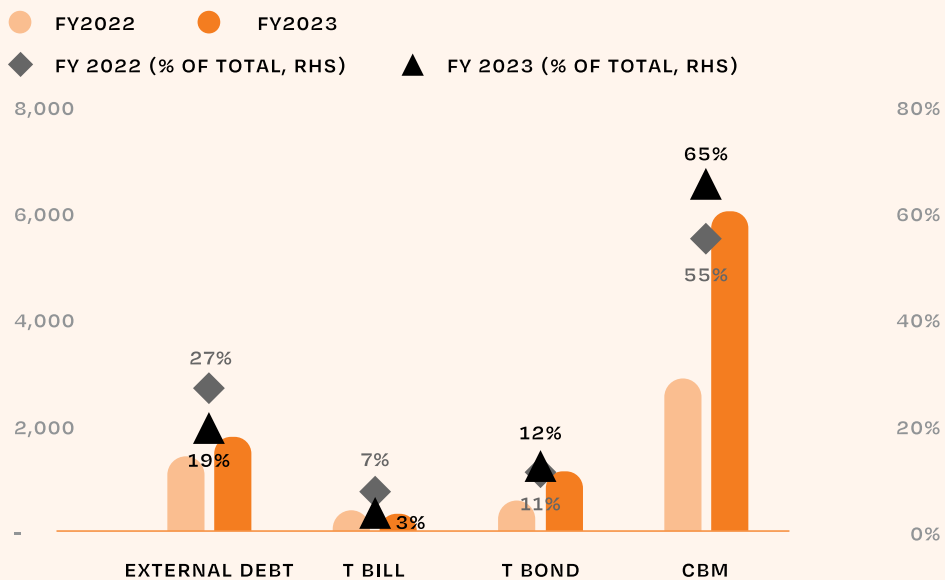
Source: MOPF – https://www.mopf.gov.mm/; Citizen's Budgets; World Bank Staff estimate. Note: these are based on projections published by the authorities, actual data is not yet available.

FIGURE 4 QUARTERLY GOVERNMENT SECURITIES AUCTION OF T-BONDS *MMK BILLION*

AVERAGE QUARTERLY SALES IN A GIVEN FY

QUARTERLY SALES

Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3
FY19 OCT–SEPT				FY20 OCT–SEPT				FY21 OCT–SEPT				FY22 OCT – MAR		FY23 OCT–SEPT		

Public debt is estimated to remain at above 60 percent of GDP (Figure 5). The public debt to GDP ratio is estimated to have increased by more than 20 percentage points since FY2019, with relatively high fiscal deficits, a significant estimated contraction in GDP in FY2021, and exchange rate valuation effects all contributing to the rise. Total debt reached MMK 60 trillion in FY2022. This is largely driven by an increase in domestic debt, increasing from 22 to 41 percent of GDP between FY2017 and FY2021. In FY2021, Central Bank financing accounted for MMK 24.8 trillion, or 62 percent of the total domestic debt of MMK 39.9 trillion (Figure 6). Bilateral creditors accounted for MMK 13 trillion of 18 trillion of external debt.

FIGURE 5 **DOMESTIC DEBT, EXTERNAL DEBT** *% OF GDP*

- DOMESTIC DEBT
- EXTERNAL DEBT
- TOTAL PUBLIC SECTOR DEBT

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
External Debt	13%	15%	15%	15%	19%
Domestic Debt	22%	22%	24%	27%	41%
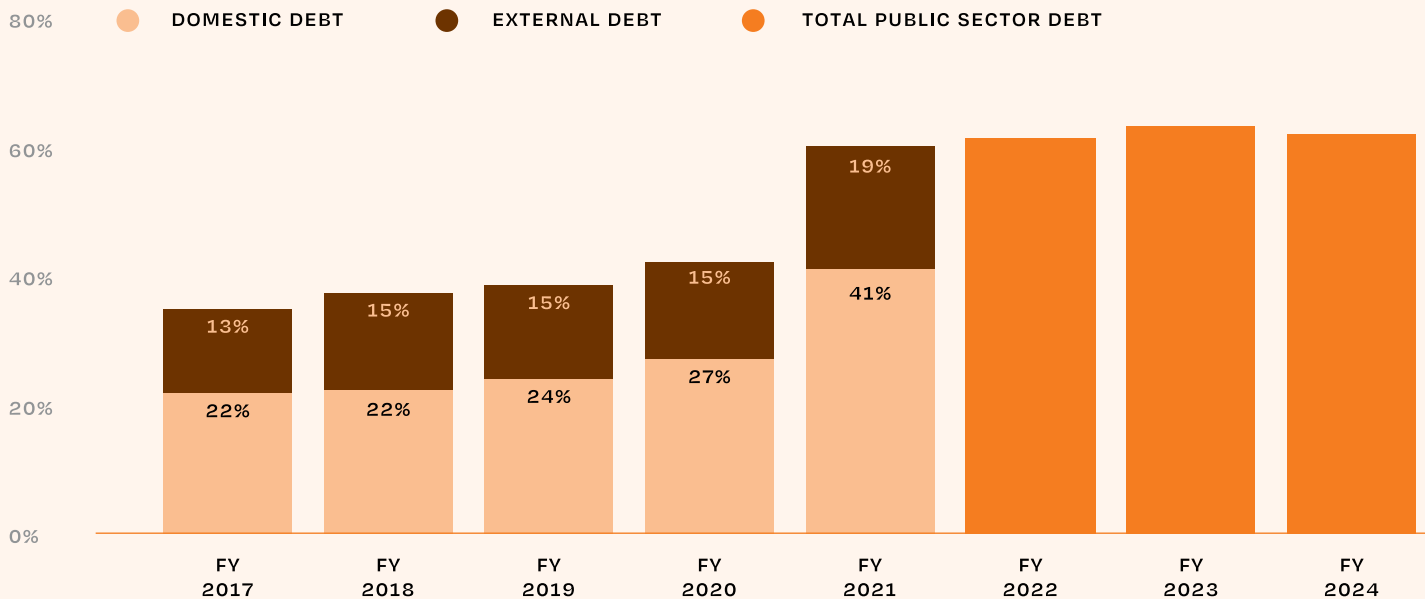
Source: MOPF - https://www.mopf.gov.mm/; WB staff estimates.

FIGURE 6 **TOTAL DEBT BALANCE AS OF 30.9.2021** *MMK IN TRILLIONS*

- CBM FINANCING
- T-BILLS
- T-BONDS
- BILATERAL CREDITORS

EXTERNAL DEBT
- BILATERAL CREDITORS: 13
- T-BILLS: 5

DOMESTIC DEBT
- CBM FINANCING: 25
- T-BONDS: 11
- T-BILLS: 4
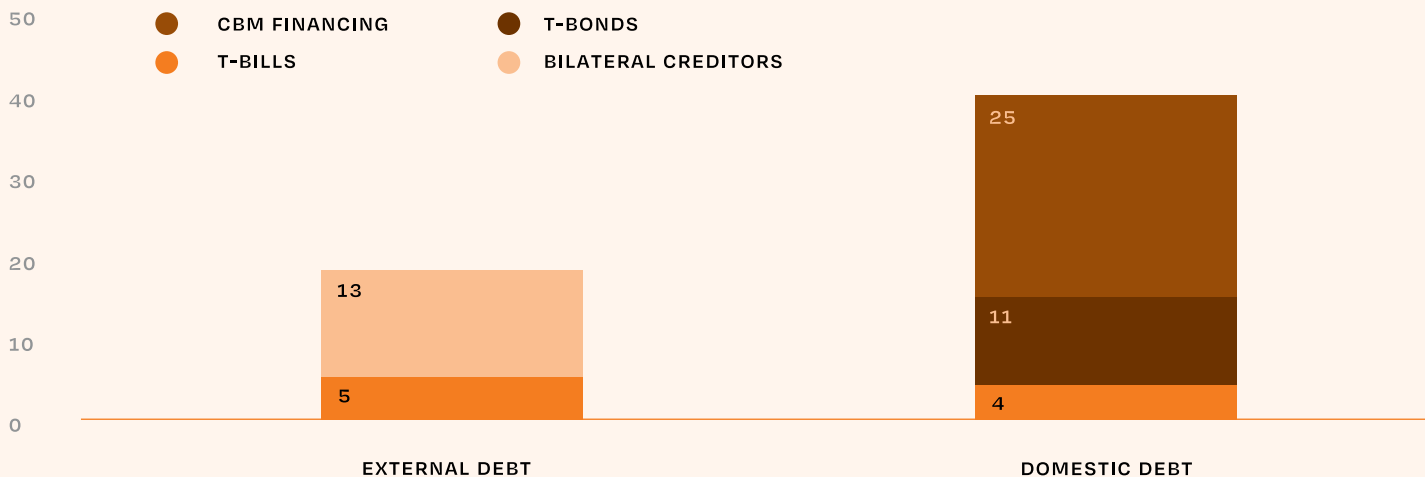
Source: CBM; WB staff estimates.

1.3 Revenue

Tax revenue is projected to have increased to 5.8 percent of GDP in FY2023. While data on actual collection for the full FY2023 is not yet available, tax receipts during the three quarters account for 85 percent of the budget target, suggesting it is on track to exceed the budgeted amount. In nominal terms, total tax receipts are projected to increase by

around 19 percent year on year in FY2023 and exceed the budget target by almost 13 percent. Looking ahead, the FY2024 budget includes a lower revenue target of 4.9 percent of GDP. However, the actual collection may vary, and possibly exceed the target if the recent trend of increasing tax collection continues. Revenue from the three primary taxes continues to remain below 2020 levels as a share of GDP (Figure 7).

FIGURE 7   TAX COLLECTION

% of GDP

- INCOME TAX
- COMMERCIAL TAX
- SPECIFIC GOODS TAX
- STAMP DUTY
- LOTTERY TAX
- GEMSTONE TAX

Note: BE = budget estimate; TA = temporary actuals.
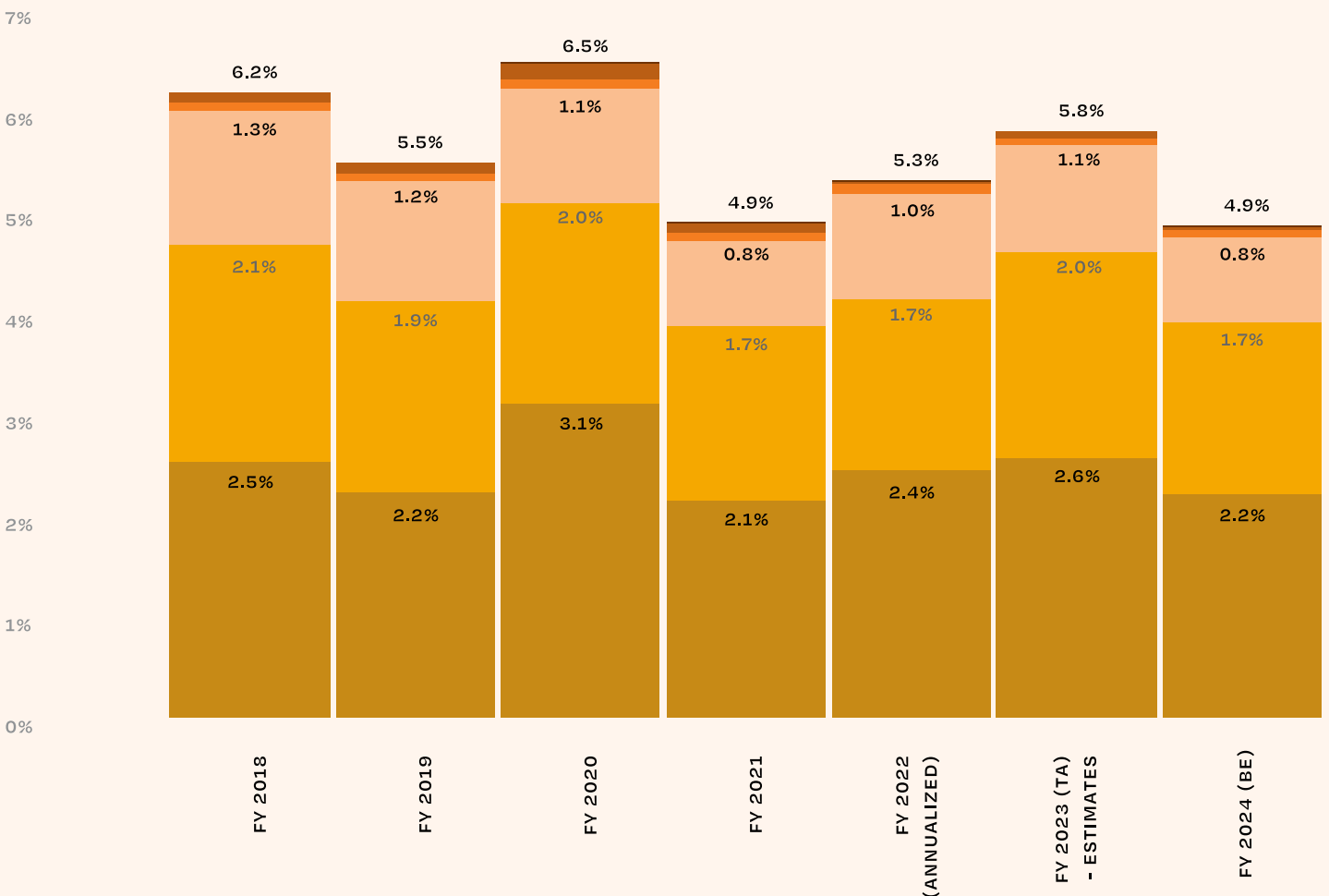
Source: MOPF - https://www.mopf.gov.mm/; WB staff estimates.

Million MMK

- ● **INCOME TAX**
- ● **COMMERCIAL TAX**
- ● **SPECIFIC GOODS TAX**
- ● **STAMP DUTY**
- ● **LOTTERY TAX**
- ● **GEMSTONE TAX**

FY 2024 (BE)

3,001   2,303   1,138

FY 2023 (TA)-ESTIMATES

3,119   2,459   1,286

FY 2022 (TA)-ANNUALIZED

2,699   1,873   1,148

FY 2021

2,082   1,669   822

FY 2020

3,516   2,221   1,271

FY 2019

2,340   1,986   1,269

FY 2018

2,346   1,986   1,241

2,000   4,000   6,000   8,000
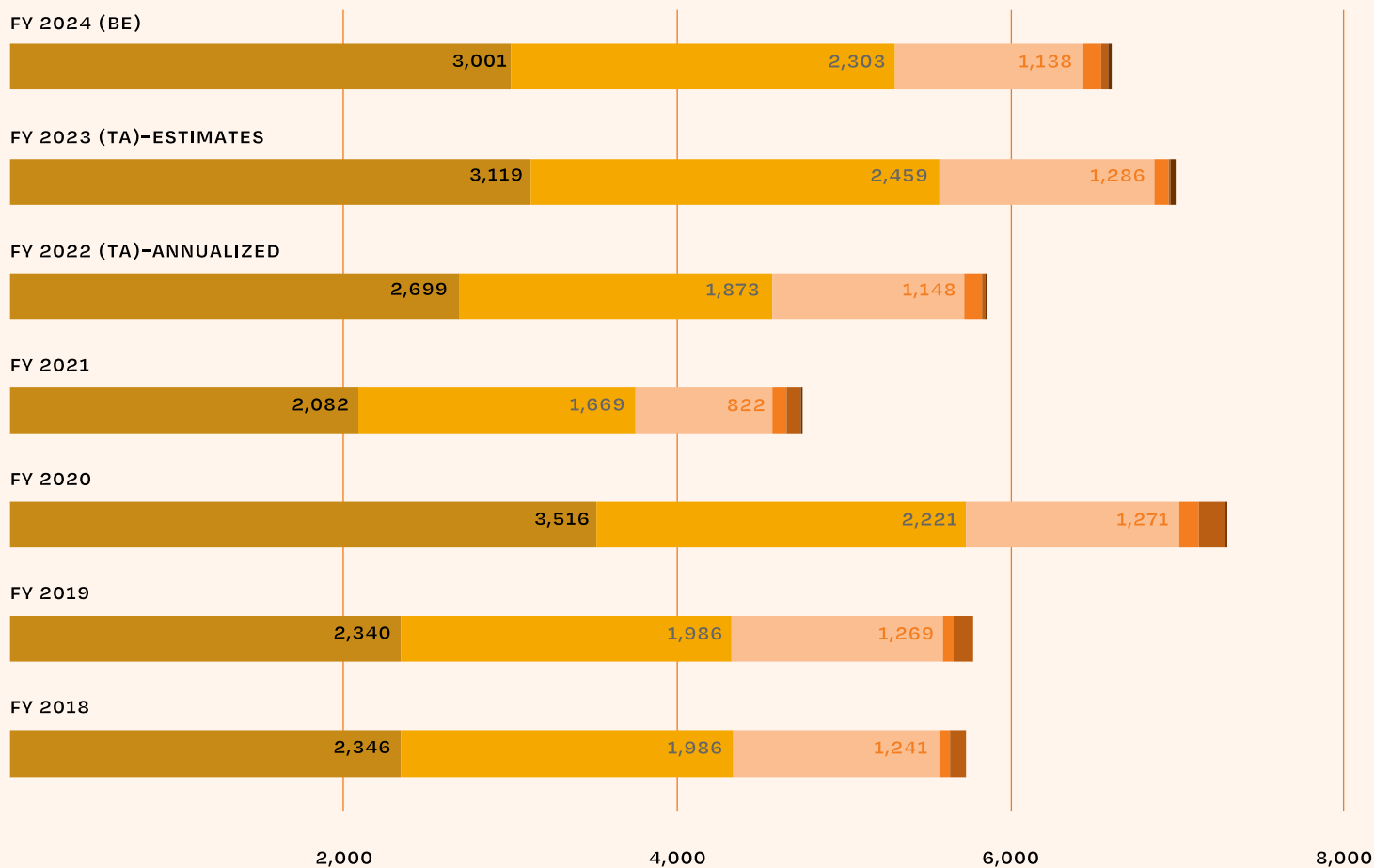
Source: MOPF – https://www.mopf.gov.mm/; WB staff estimates.

FIGURE 8   **TAX COMPLIANCE**

% OF SURVEYED FIRMS REPORTING NON-PAYMENT OF TAXES IN THE PREVIOUS 3 MONTHS

| 10 (DEC '21) | 11 (MAR '22) | 12 (JUNE '23) | 13 (SEPT '23) | 14 (DEC '23) | 15 (APR '23) |
| 78% | 69% | 55% | 71% | 73% | 55% |

SURVEY ROUND
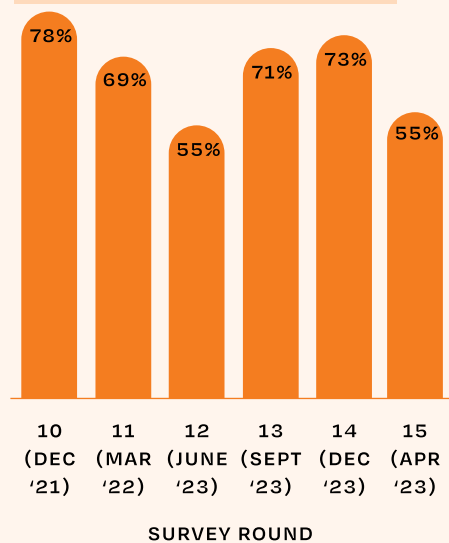
FIGURE 9   **TAX INCREASES**

% OF SURVEYED FIRMS REPORTING INCREASES IN TAX PAYMENTS

| 10 (DEC '21) | 11 (MAR '22) | 12 (JUNE '23) | 13 (SEPT '23) | 14 (DEC '23) | 15 (APR '23) |
| 7% | 17% | 13% | 17% | 25% | 36% |

SURVEY ROUND
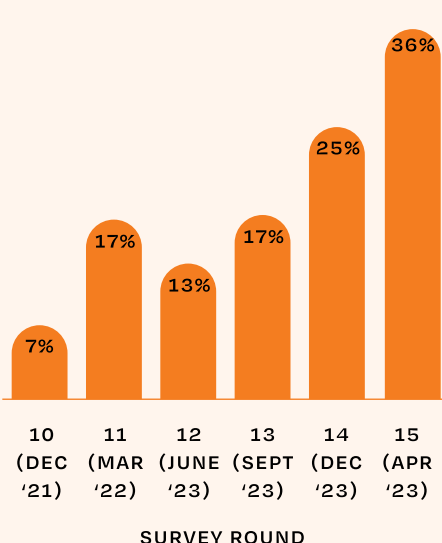
FIGURE 10   **TAX INCREASES**   *% INCREASE IN TAX PAYMENTS MADE, BY SECTOR*

RETAIL AND WHOLESALE

SERVICE

MANUFACTURING

AGRICULTURE

| 11 (MAR '22) | 12 (JUNE '23) | 13 (SEPT '23) | 14 (DEC '23) | 15 (APR '23) |

SURVEY ROUND
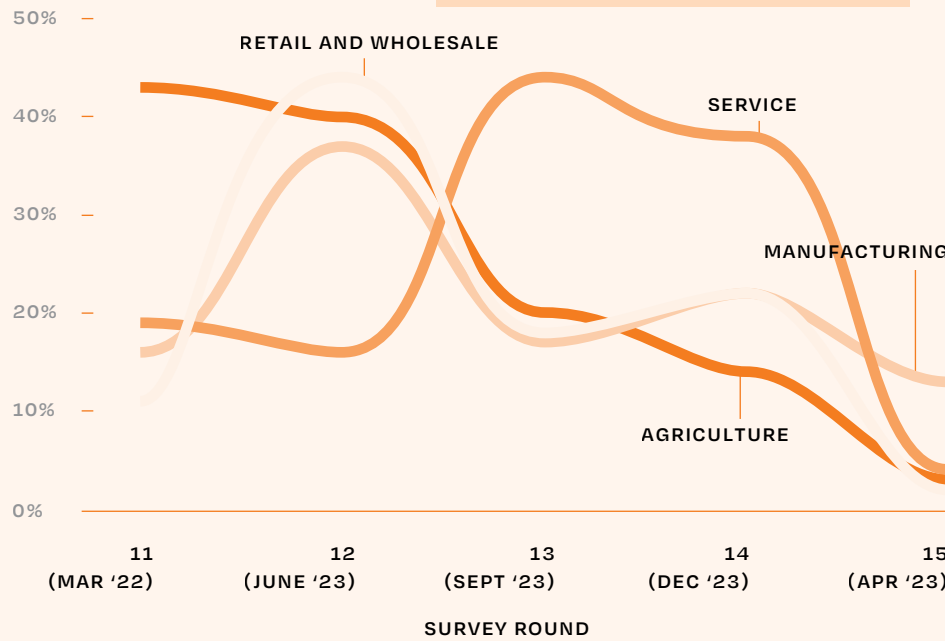
Source: Myanmar Firm Surveys.

The share of firms reporting tax payments increased against the backdrop of increases in the amounts paid (Figures 8-10). This appears to corroborate the observed increase in tax receipts. The percentage of surveyed firms reporting non-payment of taxes has decreased to 57 percent in April 2023, following increases in two previous rounds of World Bank enterprise surveys. At the same time, there is an increasing trend in the share of

tax-paying firms that report increases in the value of tax payments, up from 13 to 36 percent of firms between June 2022 and April 2023. Since September 2022, the largest increases in the amount of tax payments are observed in firms operating the retail and wholesale sectors, with as much as a 40 percent year-on-year increase. The most recent firm survey in April 2023 suggests much lower annual increases in tax payments.

FIGURE 11   **MOEE* AGGREGATES**   *FISCAL BALANCE, FY2020–FY2023 (% OF GDP)*
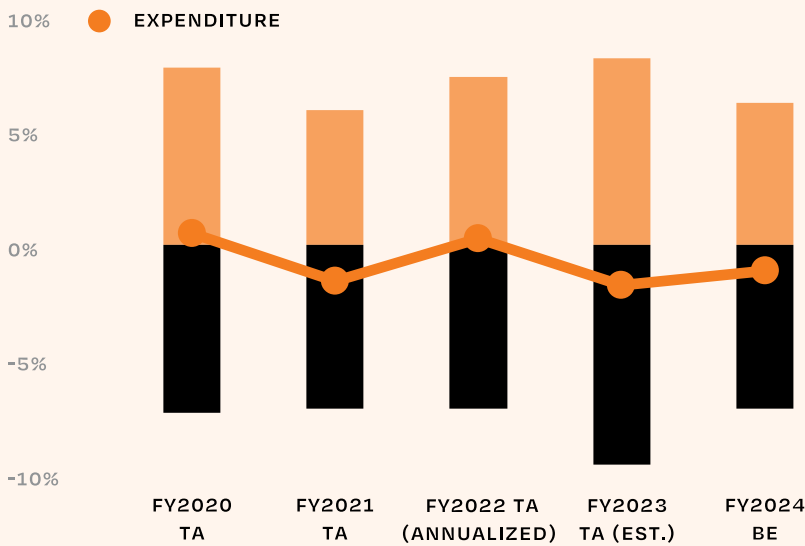
FIGURE 12   **MOEE FY2024 BUDGET**   *% OF TOTAL*
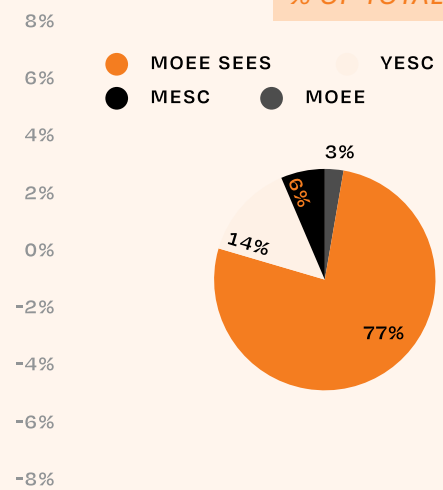
Source: MOPF - https://www.mopf.gov.mm/; WB staff estimates.

Note: BE = budget estimate; TA = temporary actuals.

*The authorities have reconstituted the Ministry of Electricity and Energy (MOEE) into two separate ministries of the Ministry of Electric Power (MOEP) and the Ministry of Energy (MOE) in May 2022. Energy SEEs in the figure include the Myanmar Oil and Gas Enterprise, Electricity Supply Enterprise, Electric Power Generation Enterprise, Myanmar Petroleum Product Enterprise, and Yangon/Mandalay Electricity Supply Corporation (YESC/MESC); YESC/MESC distribute electricity in the two largest cities. Electricity is produced by either state-owned plants or private companies, which is then sold to Electric Power Generation Enterprise at a contractually determined rate.

FIGURE 13   **NATURAL GAS IMPORTS FROM MYANMAR TO CHINA,**   *(US$ MILLION)*
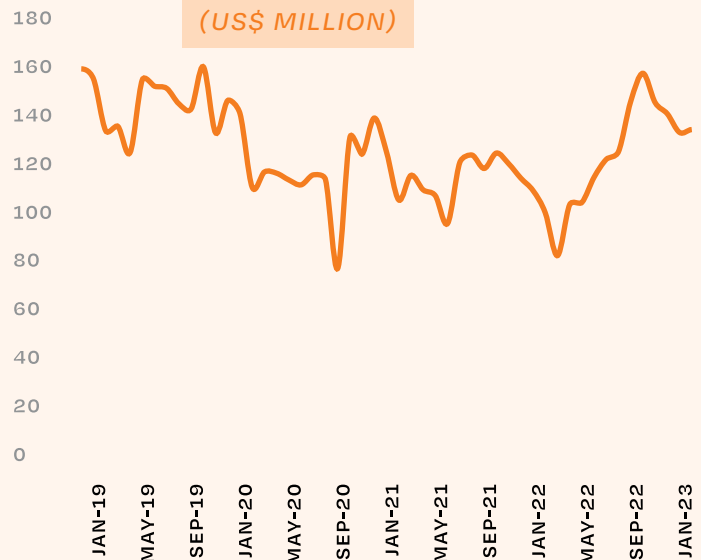
Source: China: General Customs Department of China

Revenue from the energy sector is projected to increase in FY 2023 (Figure 11). Myanmar's energy sector is managed by the Ministry of Electric Power (MOEP) and the Ministry of Energy (MOE) which typically account for over a third of public sector revenue. The two operated under one single Ministry of Electricity and Energy (MOEE) before May 2022.[6] Revenues under these entities are projected to increase to 8.2 percent of GDP in FY 2023, from 7.4 percent a year earlier, with the majority of this revenue being contributed by SEEs (Figure 12) engaged in the oil and gas sector. Increased revenue in the sector at least in part reflects an increase in the value of gas exports. Figure 13 illustrates increases in Chinese monthly imports of Myanmar natural gas since early 2022.[7] Some estimates suggest that as much as 50 percent of the export value of natural gas is collected as public revenue. This would imply that FY 2023 exports to China alone would have generated revenue equivalent to around 1.3 percent of GDP.

Estimated spending in the energy sector has grown to 9.6 percent of GDP, from 7.1 percent in FY 2022. Major contributors are the cost of electricity generation, distribution, and maintenance of gas pipelines. Overall, spending is estimated to have increased at a higher rate than revenue with the fiscal balance in the sector equivalent to a deficit of 1.4 percent of GDP in FY 2023, down from a surplus of 0.2 percent in FY 2022.

Authorities' projections for the FY 2024 budget indicate a reduction in energy revenues and spending. Projected revenue declines may reflect the dwindling capacity of existing gas fields and the departure of international energy companies from natural gas operations.[8] But energy-related revenue forecasts by the authorities are generally unreliable, reflecting instability in the aftermath of the military coup, volatility in energy markets, and significant operational constraints (World Bank Myanmar Energy Sector Brief, January 2023).

6 The authorities have reconstituted the Ministry of Electricity and Energy (MOEE) into two separate ministries of the Ministry of Electric Power (MOEP) and the Ministry of Energy (MOE) in May 2022. https://www. dfdl.com/resources/legal-and-tax-updates/myanmar-sac-reconstitutes-energy-sector-ministries/

7 China accounts for about 40 percent of Myanmar's natural gas exports.

8 https://asia.nikkei.com/ Spotlight/Myanmar-Crisis/ Myanmar-s-natural-gas-income-in-jeopardy-as-foreign-firms-exit

1.4   Expenditure

Total spending during the six months to September 2022 was broadly similar to the previous year. After annualizing[9], total spending in FY 2023 is expected to increase by 0.4 percentage points to 27.9 percent of GDP (Figure 14) driven mainly by SEEs and Defense. Spending during the first 6 months of FY 2023 amounted to about 40 percent of the budget compared to the historical average of 38 percent of budget. The FY 2024 budget approved by the authorities indicates a significant reduction in planned spending to 24.5 percent of GDP. Recurrent spending continues to dominate the budget(Figure 15). Capital spending accounted for 23 percent of spending in FY 2020 and is budgeted to account for a 19 percent share in FY 2024. This reduction in capital expenditure could potentially undermine long-term economic growth.

Budget allocations to the military have significantly increased. Defense spending is estimated at around 2.8 percent of GDP in FY 2023 and about 10 percent of overall spending. Under the FY 2024 budget, the authorities expect it to increase to 4.2 percent of GDP or 17 percent of the overall spending (Figure 15). In nominal terms, this represents over a 50 percent increase, from MMK 3.7 to 5.6 trillion.

The combined spending on education and health has declined from 3.6 to 1.8 percent of GDP between FYs 2020 and 2023 (Figure 17), indicating a notable shift in public spending priorities away from essential ser-

9   We assume that spending during the first six months of the fiscal year is comparable to the historical average half-yearly expenditure of 38 percent of total expenditure. With 10.6 percent already expended in the first six months of the year, this indicates that an estimated 17.3 percent of GDP (MMK 20,950 billion) is expected to be spent during the final six months of the year. This also consistent with the budget estimate with actual expenditure during April – September 2022 amounting to just 40 percent of the total budgeted expenditure.

vices toward defense. In 2020, spending on key services surpassed defense spending as a share of GDP, with the latter equivalent to 3.2 percent of GDP. Looking ahead, FY 2024 budget allocations to education and health only account for around half of the allocation to defense.

SEEs continue to dominate public spending. In FY 2023, about 39 percent of spending is estimated to have been undertaken by SEEs or about 9 percent of GDP (Figure 17). This is budgeted to remain at around 8.9 percent of GDP in FY 2024. While this brief doesn't include the analysis of SEE expenditures due to data limitations, the budget estimates suggest that a significant portion of the budget is earmarked for recurrent expenses. Small allocations are also made for capital investment and debt repayment in FY 2024 (Figure 18).

FIGURE 14   **EXPENDITURE BY CATEGORY**   *% OF GDP*

● CURRENT   ● CAPITAL   ● FINANCIAL

	CURRENT	CAPITAL	FINANCIAL	TOTAL
FY2019	18%	6%		25.8%
FY2020	21%	9%		31.1%
FY2021	21%	6%		28.9%
FY 2022 (ANNUALIZED) OCT. '21 – MAR. '22	21%	5%		27.5%
FY 2023 APR. '22 – MAR. '23 (EST.)	20%	7%		27.9%
FY 2024 APR. '23 – MAR. '24 (BE)	18%	5%		24.5%
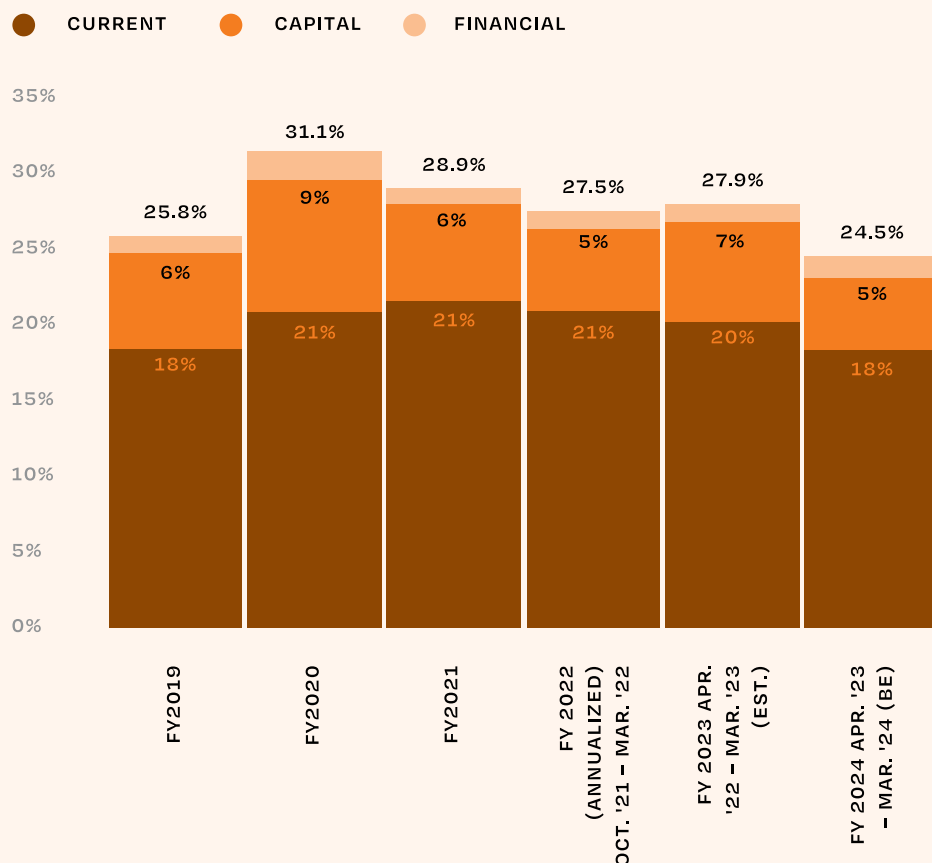
FIGURE 15 **EXPENDITURE BY CATEGORY** *% OF TOTAL*

● CURRENT   ● CAPITAL   ● FINANCIAL

	FY 2020 TA	FY 2021 TA	FY 2022 TA (6-MONTHS)	FY 2023 (EST.)	FY 2024 BE
Financial	6%	3%	4%	5%	6%
Capital	28%	22%	20%	23%	19%
Current	67%	74%	76%	72%	75%
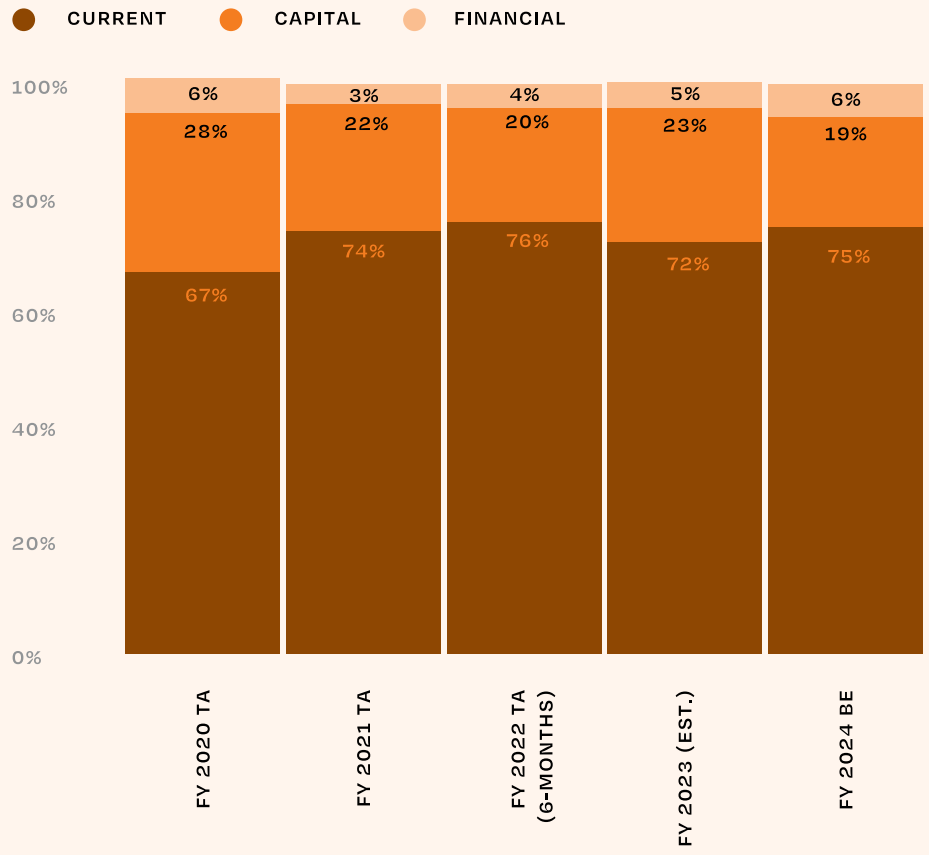
Source: Central Statistical Organization; WB staff estimates.

FIGURE 16 **EXPENDITURE BY CATEGORY** *% OF TOTAL*
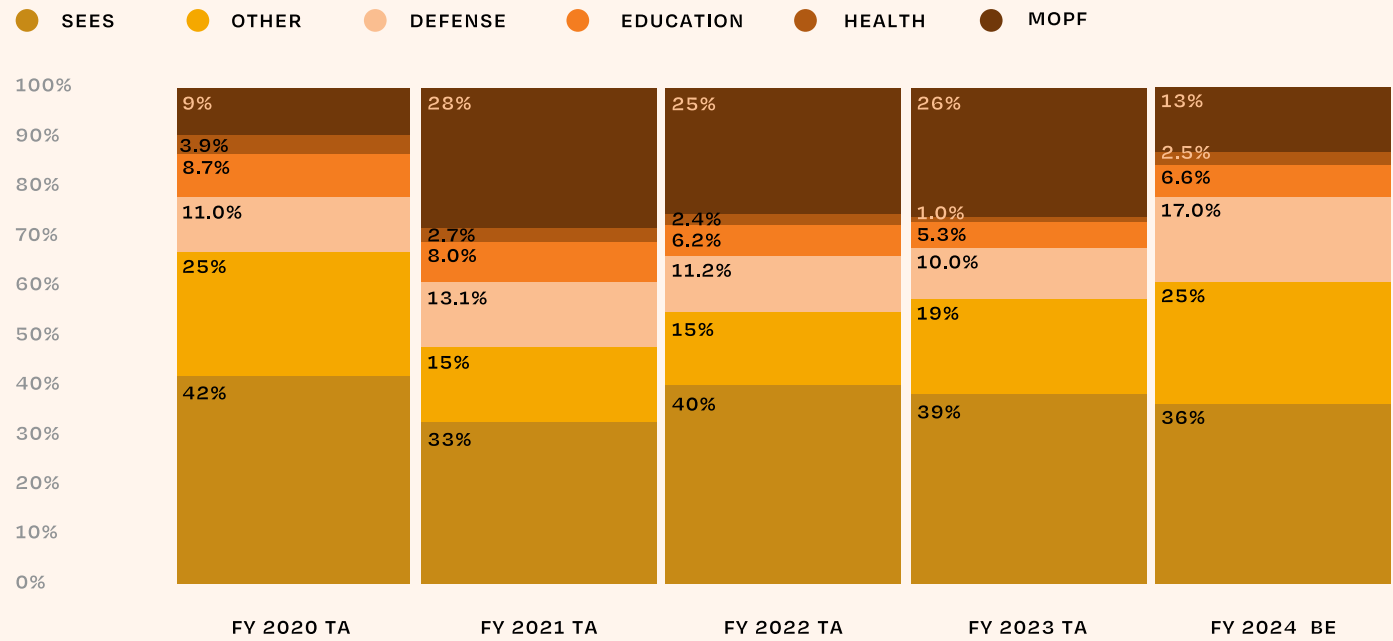
● SEES   ● OTHER   ● DEFENSE   ● EDUCATION   ● HEALTH   ● MOPF

	FY 2020 TA	FY 2021 TA	FY 2022 TA	FY 2023 TA	FY 2024 BE
MOPF	9%	28%	25%	26%	13%
HEALTH	3.9%				2.5%
EDUCATION	8.7%	2.7%	2.4%	1.0%	6.6%
DEFENSE	11.0%	8.0%	6.2%	5.3%	17.0%
OTHER	25%	13.1%	11.2%	10.0%	25%
		15%	15%	19%	
SEES	42%	33%	40%	39%	36%

Note: BE = budget estimate; TA = temporary actuals , est = estimate..

Source: MOPF – https://www.mopf.gov.mm/; WB staff estimates.

FIGURE 17   **EXPENDITURE BY CATEGORY**   *% OF GDP*
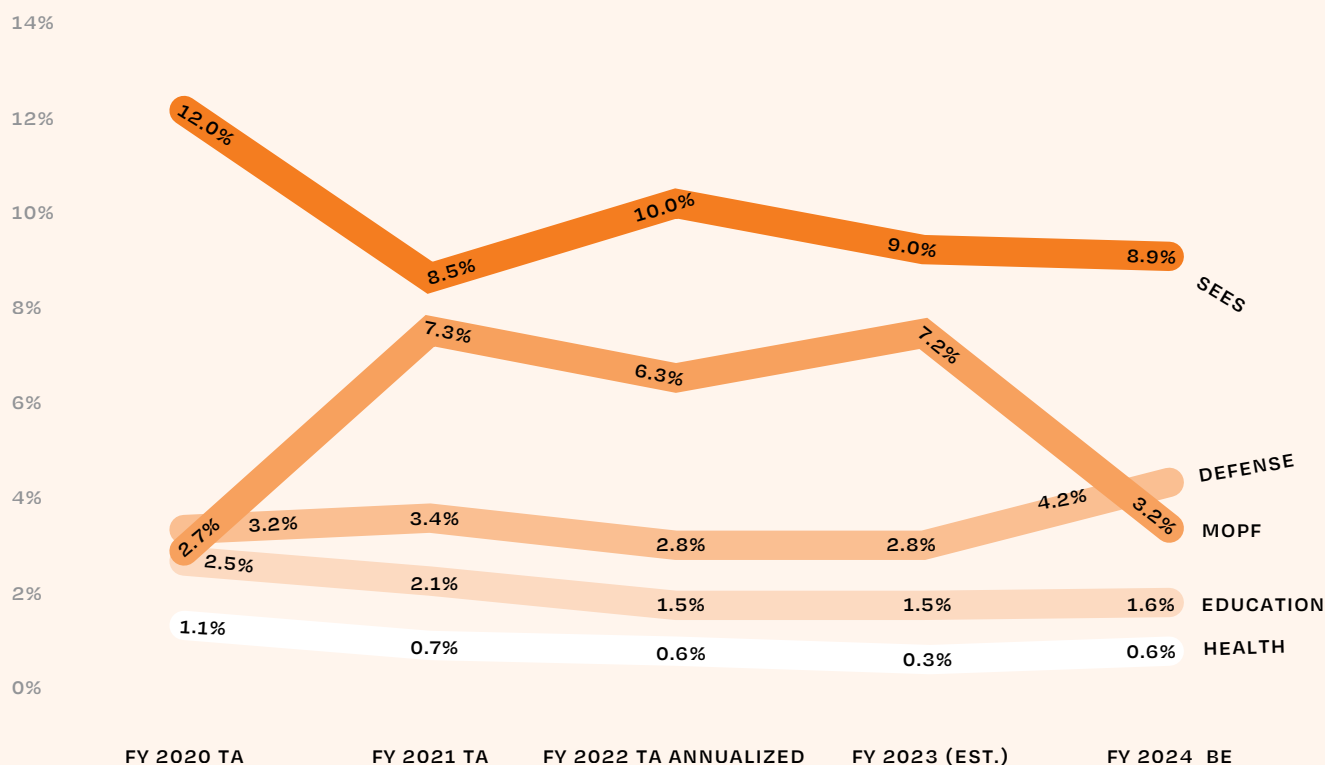
- 12.0% → 8.5% → 10.0% → 9.0% → 8.9% **SEES**
- 2.7% / 7.3% → 6.3% → 7.2% → 4.2% → 3.2% **DEFENSE**
- 2.5% / 3.2% → 3.4% → 2.8% → 2.8% → 3.2% **MOPF**
- 1.1% / 2.1% → 1.5% → 1.5% → 1.6% **EDUCATION**
- 0.7% → 0.6% → 0.3% → 0.6% **HEALTH**

FY 2020 TA   FY 2021 TA   FY 2022 TA ANNUALIZED   FY 2023 (EST.)   FY 2024 BE

Note: BE = budget estimate; TA = temporary actuals , est = estimate.   Source: MOPF - https://www.mopf.gov.mm/; WB staff estimates.

FIGURE 18   **SEE'S EXPENDITURE**

BY TYPE AS PER THE BUDGET LAW (FY2019-2024), MMK IN MILLIONS

● CURRENT EXPENDITURE   ● CONTRIBUTION   ● CAPITAL EXPENDITURE   ● DEBT   ● INVESTMENT IN ORGANIZATIONS

FY 2024
FY 2023
FY 2022 (ANNUALIZED)
FY 2021
FY 2020
FY 2019

2,000,000   4,000,000   6,000,000   8,000,000   10,000,000   12,000,000   14,000,000
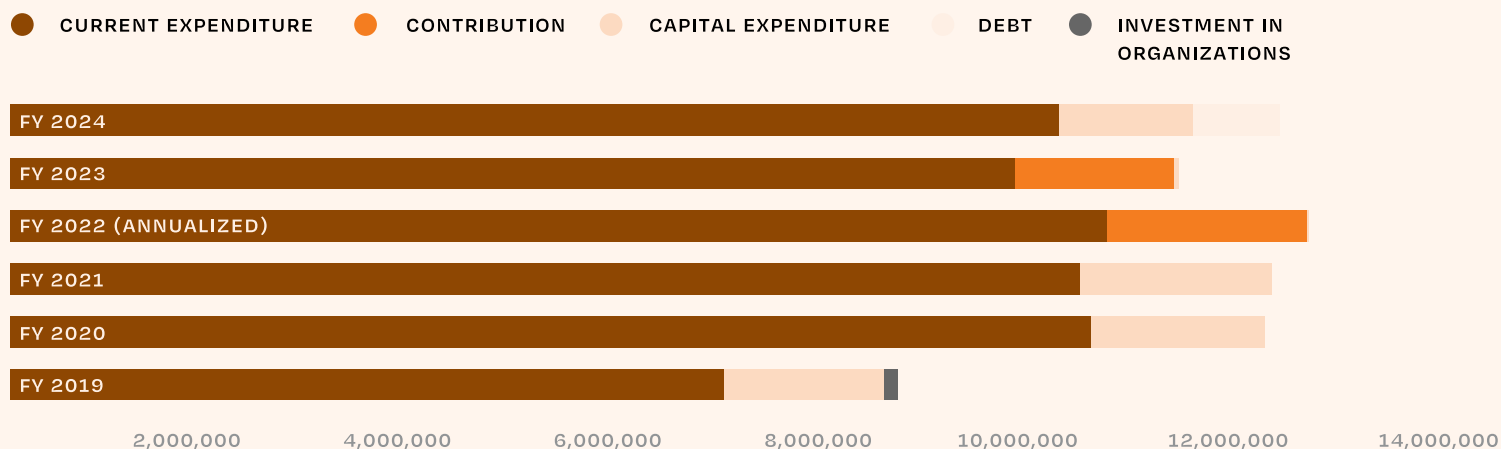
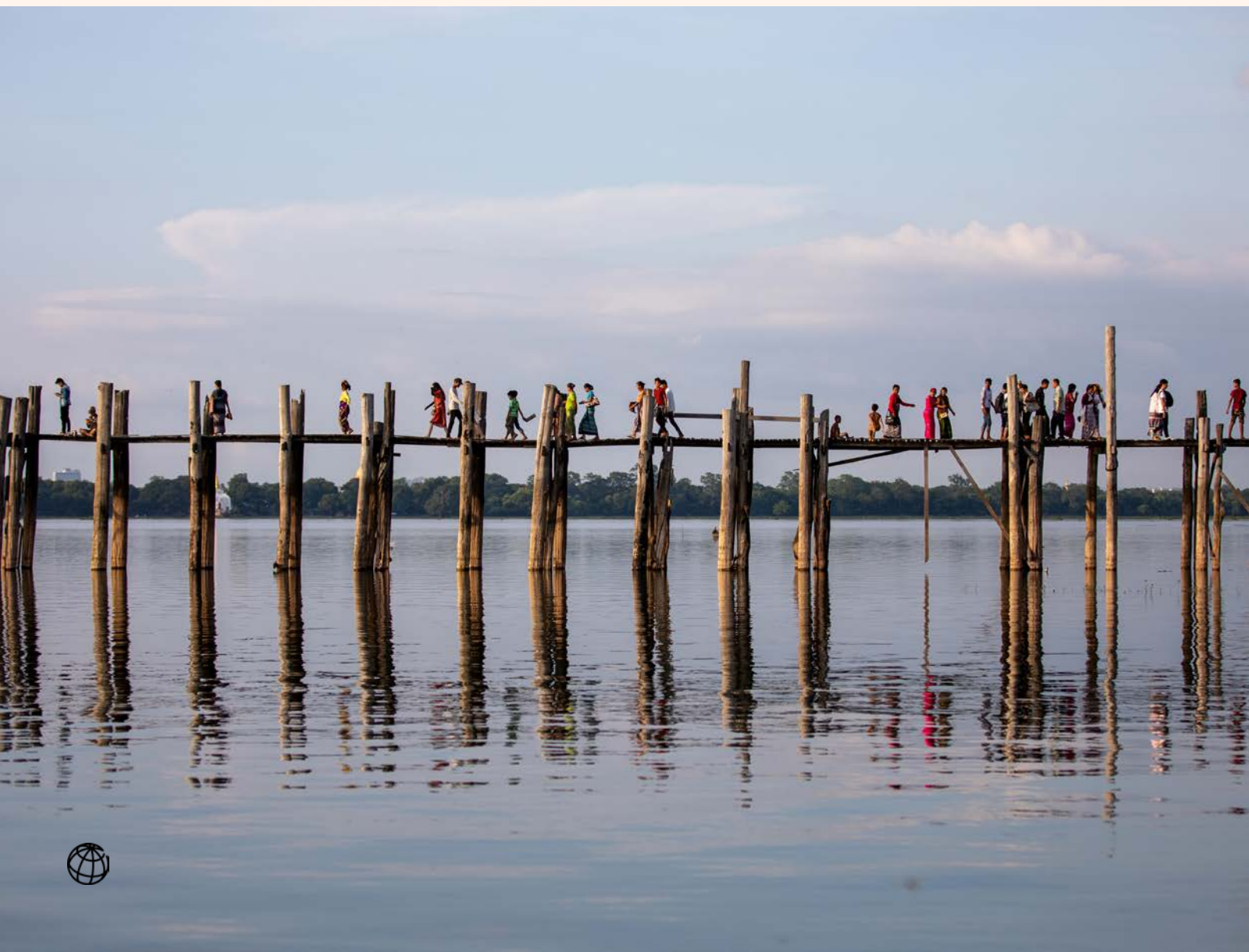Note: TA = Temporary Actual   Source: MOPF - https://www.mopf.gov.mm/; WB staff estimates.

Limited resources are available to respond to Cyclone Mocha. In FY2024, the authorities allocated MMK 115 billion (USD 54.8 Million)[10] (0.35 percent of the total budget) for the contingency fund to respond the emergency events and disasters. Of this amount, 14 billion have been allocated across state and region governments (1 billion each) and 1 billion to the Naypyitaw Council. This is consistent with contingency allocations in previous years, typically accounting for under 0.5 percent of the total budget. These resources – even if fully deployed – would not be sufficient to respond to the cyclonic storm Mocha that hit the Rakhine coast on 15 May 2023. In the past, budget resources have typically not provided a significant source of funding for disaster relief, with the bulk of the assistance provided by NGOs, community groups, and international organizations.
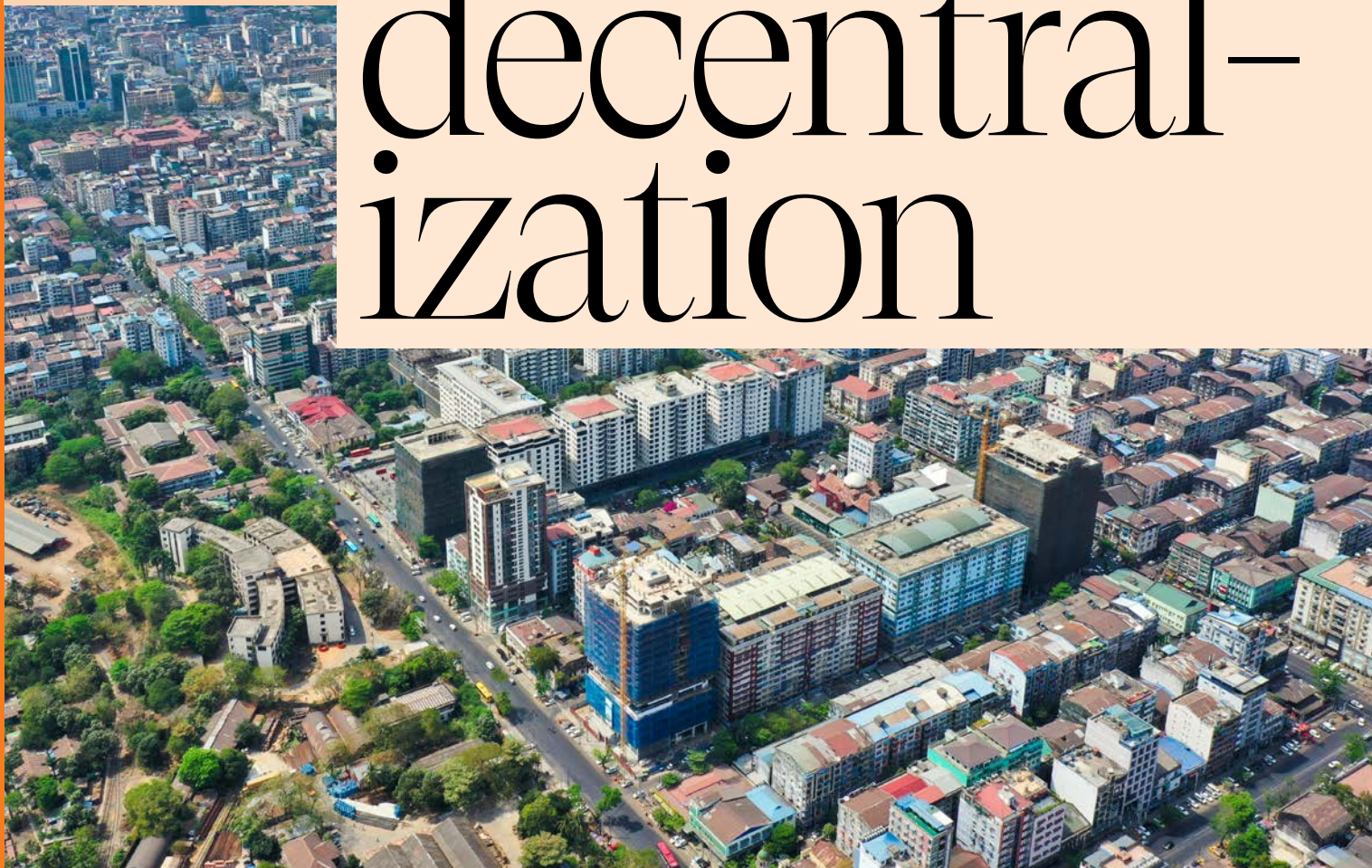
10 Exchange rate (1 USD = 2,096.81 MMK)

11 https://reliefweb.int/report/myanmar/unicef-myanmar-humanitarian-situation-report-no-5-cyclone-mocha-19-may-2023

2 Fiscal decentralization

Myanmar's administrative and political structures historically have been highly centralized. However, with the legal creation of state and region governments in 2008[12], there has been a greater emphasis on the role of state and region governments in Myanmar's public finances (see World Bank Myanmar Public Expenditure Review 2019). The amount of state and region revenue functionally depends on the extent of fiscal transfers from the Union, and outside of Yangon to a much lesser extent on resources sourced by the state or region such as taxes, fees, and revenue from state-owned enterprises (SOEs)[13].

State and region government budgeted expenditure has declined, reversing significant increases in 2015. Subnational expenditure has nearly tripled since the first enacted budgets under the current constitution in FY 2013, increasing from MMK 864,122 million to MMK 2,474,942 million in FY 2018. As a proportion of general government spending, subnational spending increased from around 6 percent in FY 2013 to around 10 percent in FY 2021. This has since declined and is projected to account for around 6 percent in FY 2024 budget (Figure 19).

FIGURE 19   **AGGREGATE EXPENDITURE, UNION AND STATES/REGIONS**

(FY2017-2022 ACTUALS AND FY2023-2024 BE)

● S/R   ● UNION

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Union	89%	89%	89%	91%	91%	90%	91%	93%	94%
S/R	11%	11%	11%	9%	9%	10%	9%	7%	6%
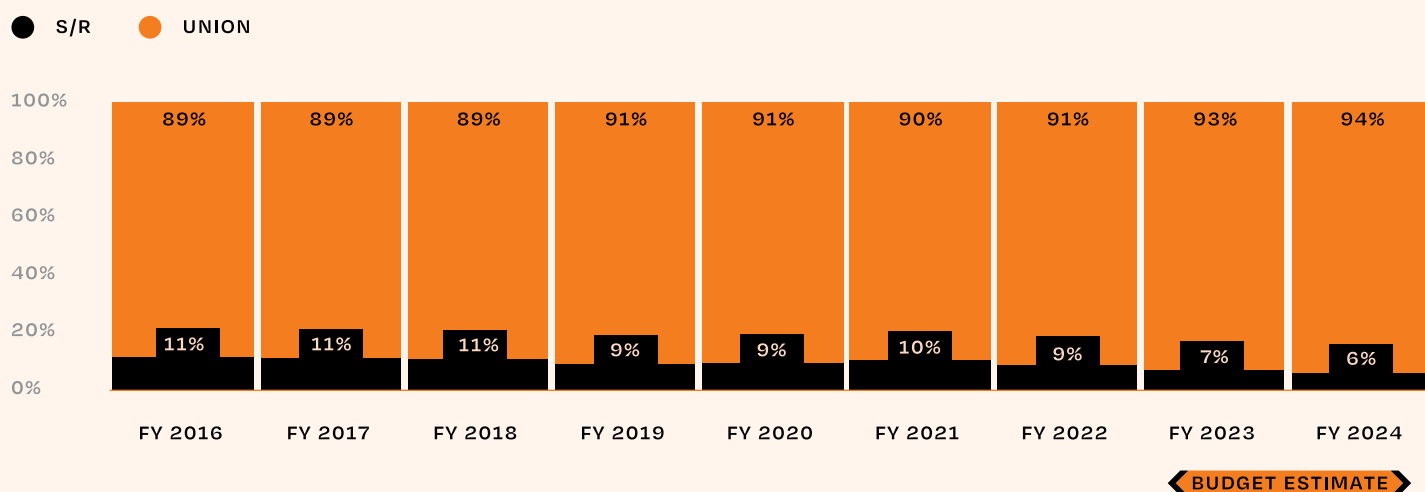
BUDGET ESTIMATE ►

Note: TA = Temporary Actual; BE = Budget Estimates; S/R = State/Region. Union relates to spending by the central government
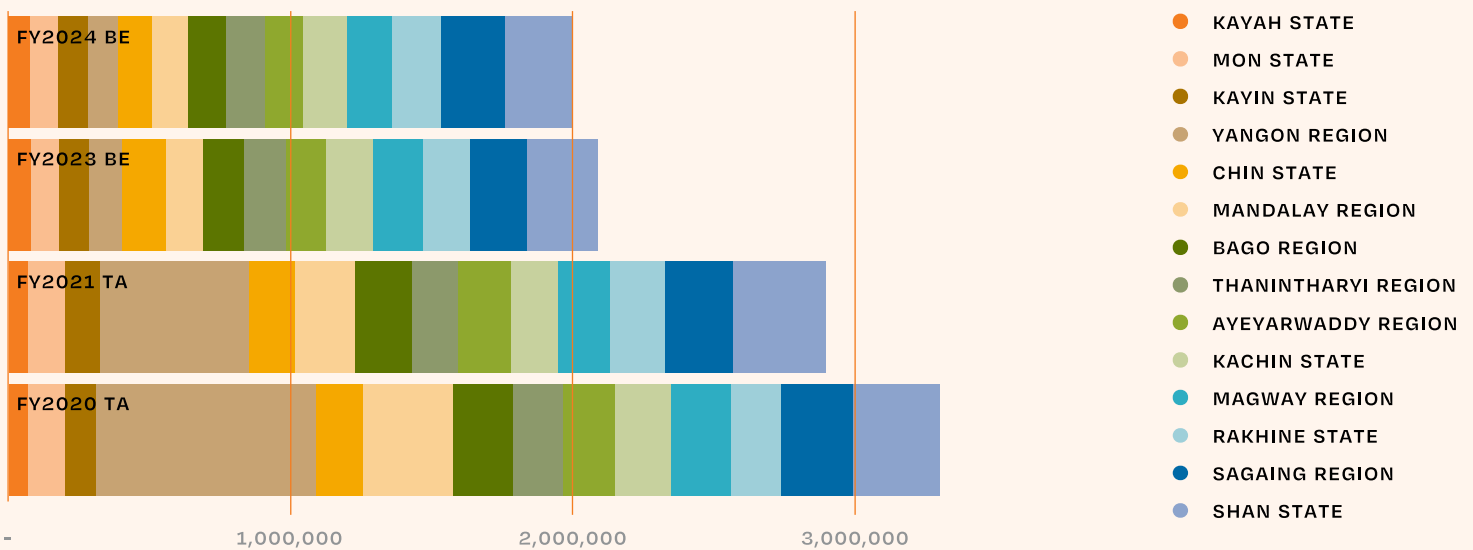
Source: MOPF - https://www.mopf.gov.mm/; WB staff estimates.

The decrease in subnational spending is concentrated in Yangon and Mandalay. In nominal terms, subnational spending is forecasted to decline by 40 percent from MMK 3.3 trillion to under 2 trillion between FY 2020 and FY 2024. There are variations in the composition of spending across states and regions, however, around half is typically classified as capital spending. This is usually concentrated in spending on roads, reflecting a narrow set of expenditure responsibilities assigned by the constitution which excludes spending on health and education. Municipal spending stands apart as being solely under the jurisdiction of subnational governments (World Bank PER, 2019). The observed decline in subnational spending is most pronounced in Yangon, accounting for over half of the total decrease,

while Mandalay contributes to 15 percent of the overall reduction. This shift has potential implications for resource distribution. In FY 2020, Yangon was responsible for nearly one-fifth of all subnational expenditures. However, it's projected to account for only around 5 percent in FY 2024, falling behind most States and Regions. Mandalay, too, is experiencing a decrease in its share of subnational spending. It is uncertain whether the diminished spending share in Yangon and Mandalay is attributable to alterations in the central fiscal transfer allocation mechanisms - indicating a possible policy shift in resource distribution - or to a decrease in tax revenue in these two regions.

FIGURE 20 **STATES AND REGIONS EXPENDITURE** *MMK MILLIONS*

Legend:
- KAYAH STATE
- MON STATE
- KAYIN STATE
- YANGON REGION
- CHIN STATE
- MANDALAY REGION
- BAGO REGION
- THANINTHARYI REGION
- AYEYARWADDY REGION
- KACHIN STATE
- MAGWAY REGION
- RAKHINE STATE
- SAGAING REGION
- SHAN STATE

3 Service Delivery

3.1   Health sector

The budget allocation of funds to the health sector continues to decrease (Figure 21).** The budget law for FY 2024 has further reduced the fiscal resources available to the Ministry of Health (MOH). The share of the union's budget allocated to the health sector gradually decreased from 4.6 percent in FY 2019 to 4.2 percent in FY 2021. This is further projected to decrease to 2.8 percent in FY 2023 and 2.5 percent in FY 2024. The decline in the budget is having a detrimental effect on public health by limiting its ability to invest in crucial healthcare infrastructure and services that are fundamental to the welfare of its citizens.

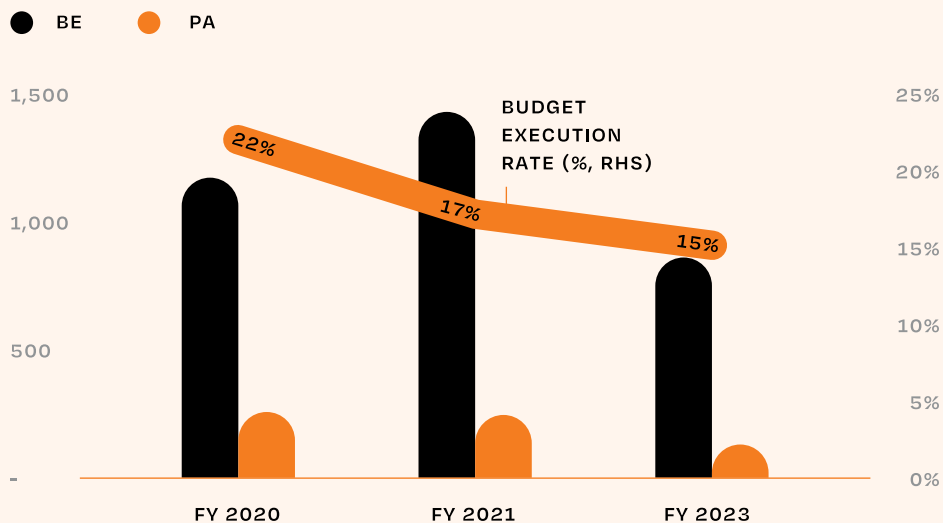**FIGURE 21** **HEALTH BUDGET UNDER MOH** *% OF UNION BUDGET ESTIMATE*

Note: BE = budget estimate; TA = temporary actuals.
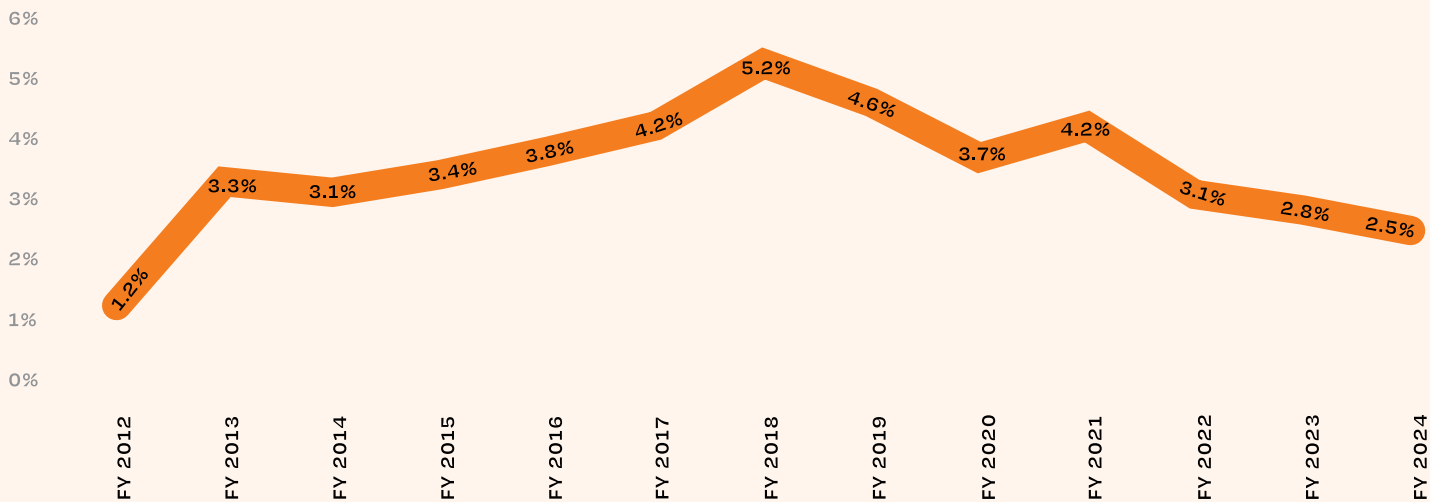
Source: MOPF - https://www.mopf.gov.mm/; WB staff estimates.

FIGURE 22 **EXECUTION RATE OF HEALTH SPENDING FOR THE FIRST 6 MONTHS**

MMK MILLION (LHS) AND % OF BUDGET ESTIMATES (% - RHS)

● BE   ● PA

Health spending execution continues to decline. In the absence of actual spending data for the whole budget year, the analysis includes a comparison for the first two quarters for which data is available for FY 2023. In FY 2020, 22 percent of health spending came from the first two quarters of implementation, which dropped to 17 percent in FY 2021 and further to 15 percent in FY 2023. While the comparison is not ideal, as it compares execution between different months[16], it suggests a downward trend in health spending year by year, with negative implications for public health outcomes. This decrease in health spending execution can be attributed

**14** This is because the change to the calendar of the fiscal year in FY2023.

to various factors, including staffing and resource constraints, operational difficulties, inefficient allocation of resources, and delays in procurement processes. The previous budget brief (November 2022) assessed the extent to which reductions in allocations reflect the reduction in employed health workers. While data is limited, the analysis suggests that decreases in sector spending appear to be equally driven by reductions in both wage and non-wage expenses. Overall, this implies that fewer resources are spent on critical areas like the procurement of medicine and construction.

External aid is budgeted to increase in FY 2024. Planned grant expenditure for the health sector increased from MMK 4,898 million in FY 2023 to MMK 18,960 million in FY 2024. While still a modest amount in absolute terms, it represents a significant relative rise from the previous fiscal year (Figure 23). In contrast, there is no loan-financed expenditure projected in the public health sector in FY 2024, with grants as the only source of external financing.

FIGURE 23 **BUDGETED FOREIGN GRANTS AND LOANS**

% of Total MOH expenditure
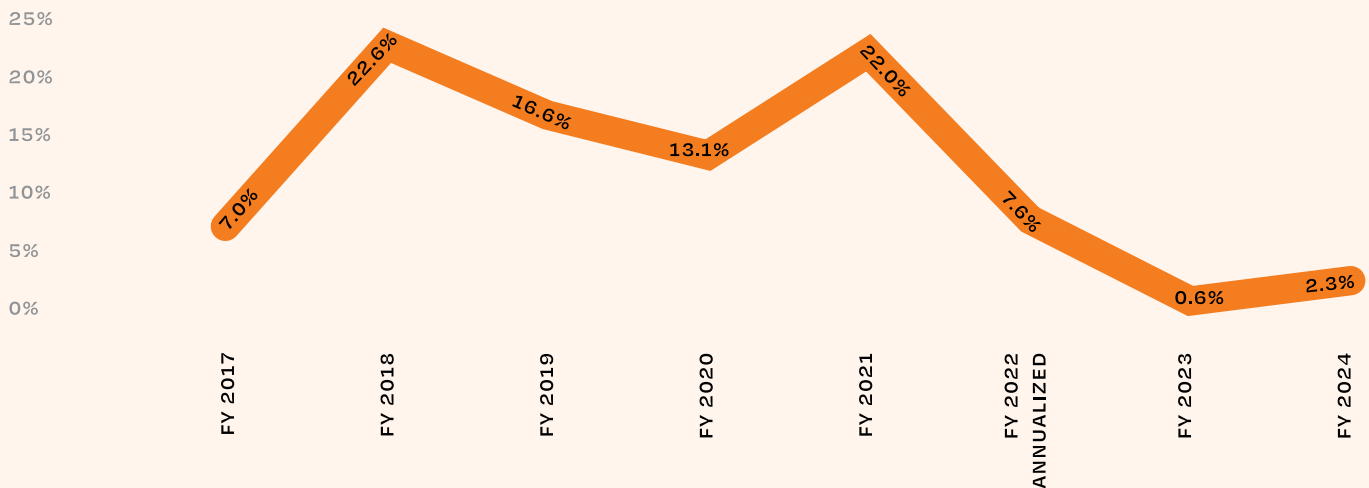
MMK Million
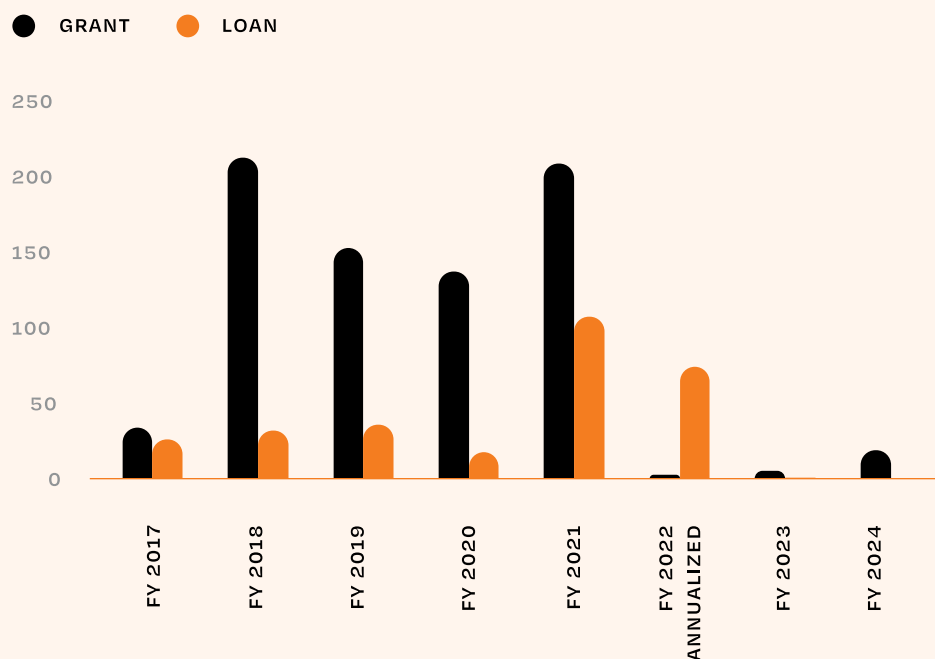
● GRANT　　● LOAN

The reduction in public spending on health comes at a time of increasing financial strain on households associated with healthcare costs. The World Bank (WB) and World Health Organization (WHO) conducted three rounds of the Access to Health Survey, revealing a troubling trend of individuals bearing the costs of healthcare. In Round 1, 90 percent of respondents paid for their health services, medicines, and consumables in private facilities, compared to 60 percent in public facilities. Subsequent rounds showed an increase in this burden with 91 percent and 96 percent incurring costs in private facilities, while 58 percent and 74 percent did so in public facilities (Figure 24). The findings also highlight the challenging situations that arise when healthcare costs become unmanageable, leading individuals to resort to desperate measures. In Round 3, it was observed that 15 percent of individuals accessing public facilities and 10 percent accessing private facilities were forced to sell their assets, while 21 percent of those accessing public facilities and 18 percent accessing private facilities had to resort to loans (Figure 25). These activities put people at risk of financial instability and long-term debt, highlighting the financial challenges healthcare seekers face.As the budget allocations

FIGURE 24   **HOUSEHOLD PAY FOR HEALTH SERVICES, MEDICINES AND CONSUMABLES**   *% OF SURVEY RESPONDENTS*

PUBLIC FACILITIES

60%   R-1 (2021)
58%   R-2 (2022)
74%   R-3 (2023)

PRIVATE FACILITIES

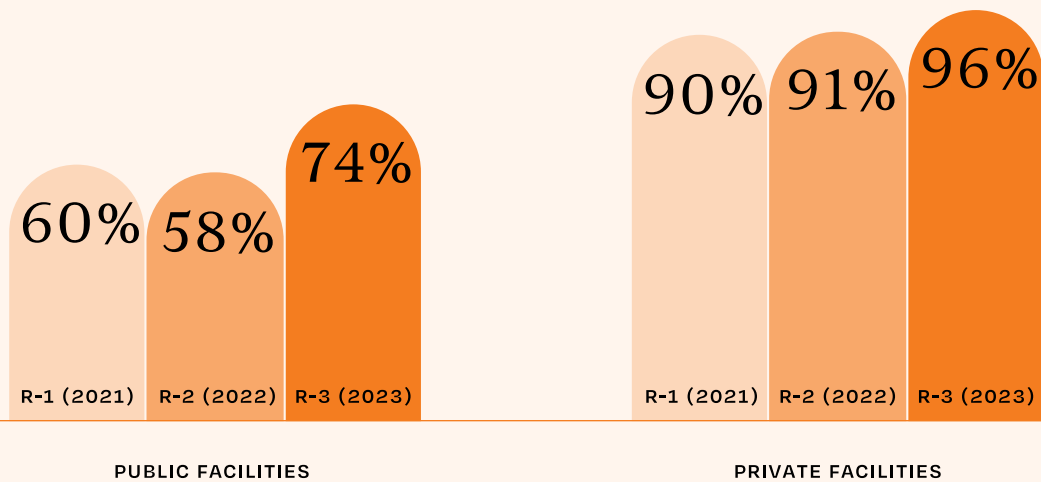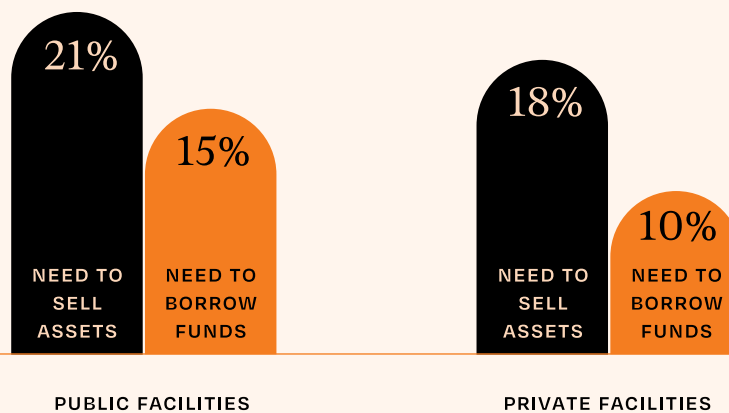90%   R-1 (2021)
91%   R-2 (2022)
96%   R-3 (2023)

FIGURE 25   **HOW CITIZENS MANAGE HEALTHCARE COSTS**

% OF SURVEY RESPONDENTS

Note: Sample size of 1,500 over three rounds of survey.

Source: WB and WHO 3 rounds of Access to Health Care Survey

PUBLIC FACILITIES

21%   NEED TO SELL ASSETS
15%   NEED TO BORROW FUNDS

PRIVATE FACILITIES

18%   NEED TO SELL ASSETS
10%   NEED TO BORROW FUNDS

for the health sector decrease, citizens could face higher out-of-pocket healthcare costs, resulting in increased financial strain on families and individuals, especially those who heavily rely on public healthcare services. The burden of health costs can become a significant barrier to accessing necessary medical treatments and services, potentially leading to delayed or inadequate healthcare for those who cannot afford it. Increasing health sector budget allocations is crucial for reducing the burden of high-cost facilities and ensuring affordable and accessible healthcare services for individuals accessing both private and public healthcare systems.

3.2   Education sector

The allocation of public resources to education in the Union budget shows a persistent decline. The share of budgeted spending in the sector declined from 7 to 6 percent of the total budget between FY 2023 and FY 2024 (Figure 26). The education sector faced significant disruptions caused by both the ongoing pandemic and the military coup, contributing to challenges in budget execution by the Ministry of Education (MOE). But a comparison based on the first two quarters of each year shows a slight upward change in execution in FY 2023, with the authorities spending 32 percent of what was originally budgeted (Figure 27).

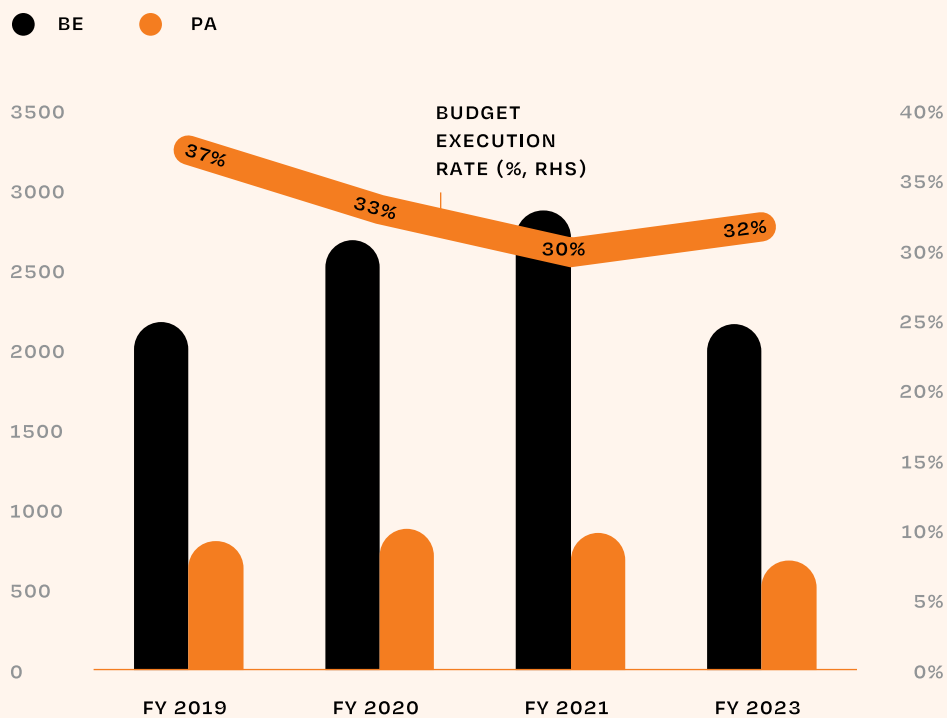**FIGURE 26**   **EDUCATION SPENDING AS SHARE OF UNION BUDGET**

Note: BE = budget estimate; TA = temporary actuals
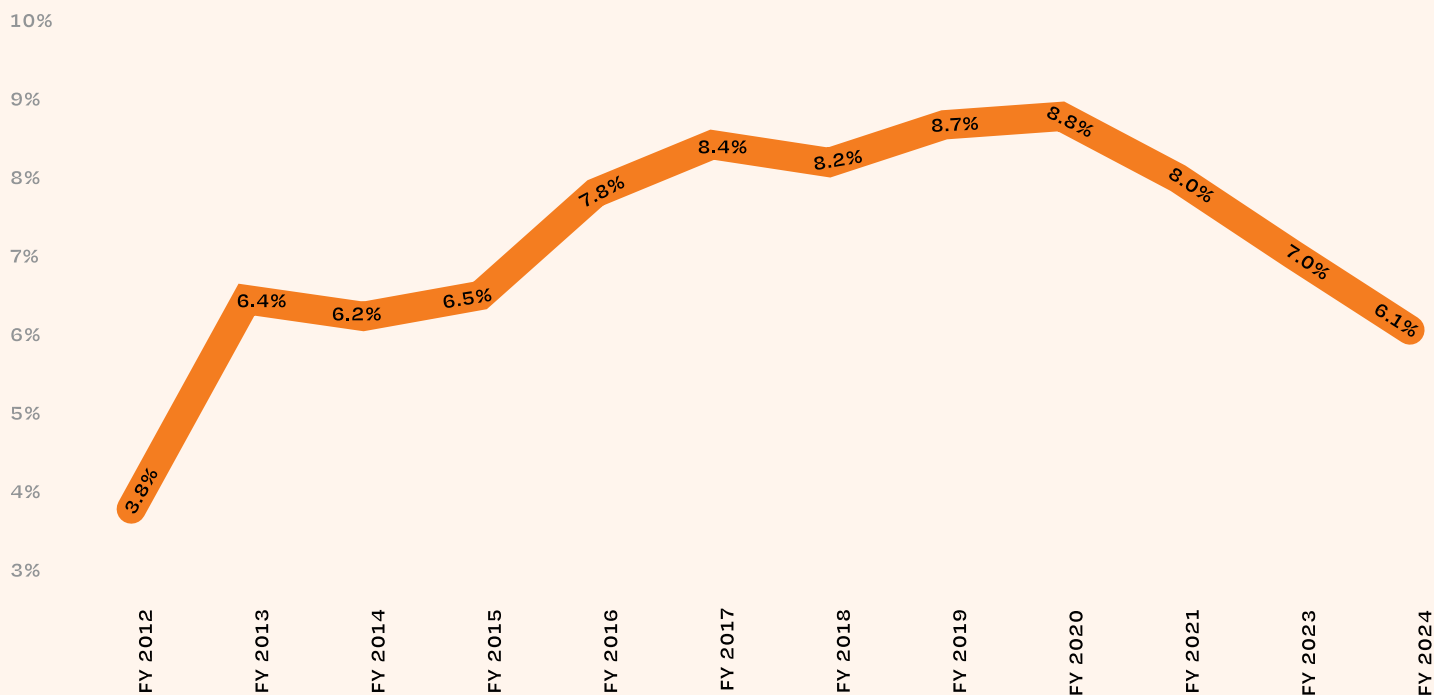
Source: MOPF - https://www.mopf.gov.mm/; World Bank Staff estimates

**FIGURE 27**   **MOE BUDGET EXECUTION FOR THE FIRST TWO QUARTERS**   *PROVISIONAL ACTUALS VERSUS BUDGET ESTIMATES (%)*

In FY 2024, there is a continued decline in foreign grant and loan contributions to the MoE budget. The MoE budget indicates MMK 6 billion to be received from foreign grants (95%) and loans (5%), which account for 13 percent of the total revenue of the MoE and only 0.3 percent of its total expenditure in FY 2024. This represents a significant decrease of 95 percent compared to FY 2021 (Figure 28).

FIGURE 28 DECLINING FOREIGN GRANT AND LOAN CONTRIBUTIONS TO THE MOE TOTAL EXPENDITURE

LHS—Foreign grant and loan as a % of total expenditure
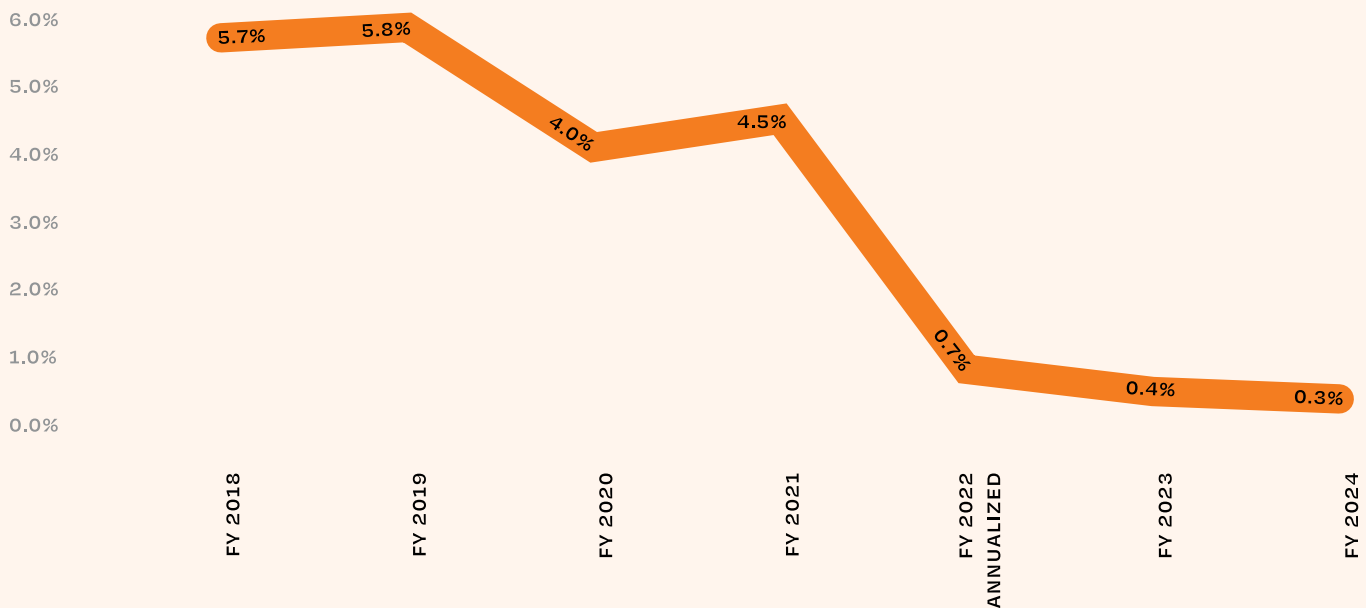
RHS—Foreign grant and loan (MMK billion)
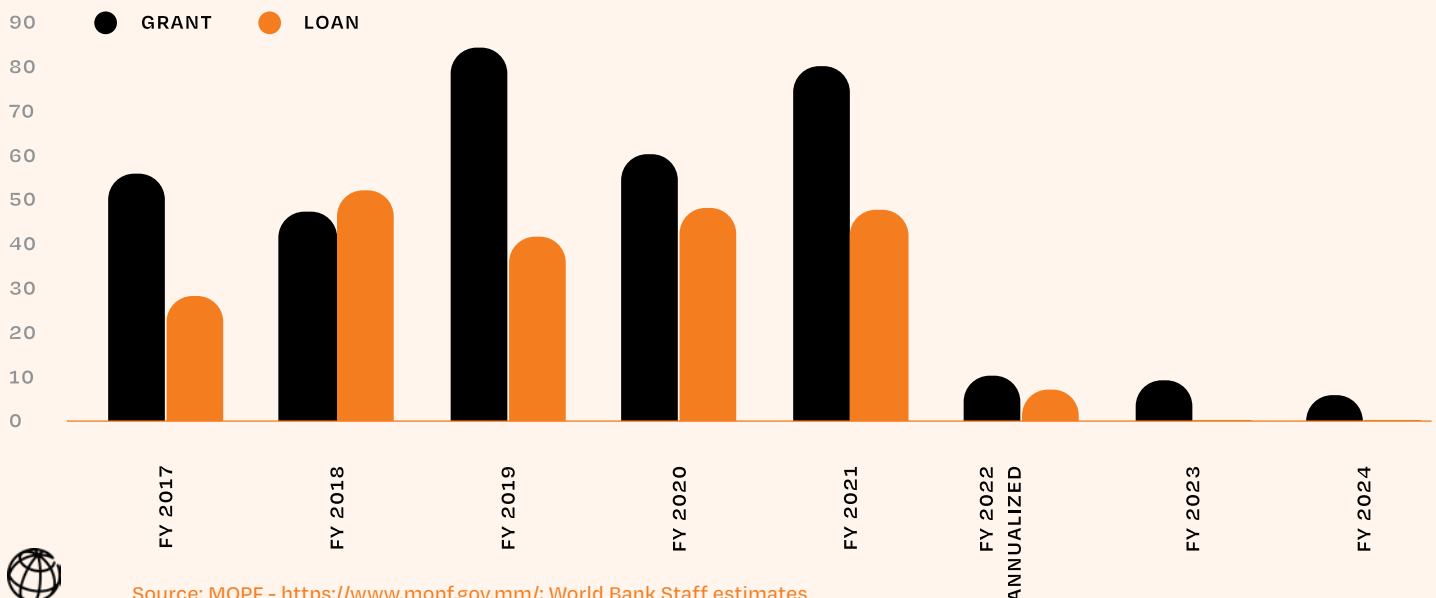
Source: MOPF - https://www.mopf.gov.mm/; World Bank Staff estimates

Reports indicate some students are returning to public schools while other students are shifting from public to private institutions. Private schools supervised by the MoE are becoming popular, leading to increased household educational expenditures. Moreover, non-state education providers offer online classes, and community-run and ethnic schools are emerging as alternatives. However, the array of educational options doesn't guarantee access for all, especially for economically disadvantaged and marginalized families who face financial constraints and security risks.

3.3 Social Protection sector

Budget allocations to social protection via the Ministry of Social Welfare Relief and Resettlement (MSWRR) have declined and now account for 0.25 percent of the FY 2024 budget (Figure 29). Budget allocation for social protection has been gradually increasing since reaching 0.47 percent in FY 2021. This impacts the commitment to implement the National Social Protection Strategic Plan (NSPSP) and affects the most vulnerable populations of Myanmar.

The execution of social protection spending appears to have increased in FY 2023 (Figure 30). In FY 2020, the first two quarters accounted for 35 percent of budgeted social protection expenditure, which subsequently declined to 20 percent in FY 2021. However, an increase in budget execution is observed in FY 2023, with these initial two quarters contributing to 61 percent of the total outlay. The principal beneficiaries of this expenditure during the period appear to be under the Social Pension and the Maternal & Child Cash Transfer initiatives. The increase could be attributed to making payments associated with these programs that had not been executed in the preceding fiscal year. Disbursement rate typically peaks in the fourth quarter of each fiscal year, attributable to the payment cycle affiliated with the cash transfer programs.

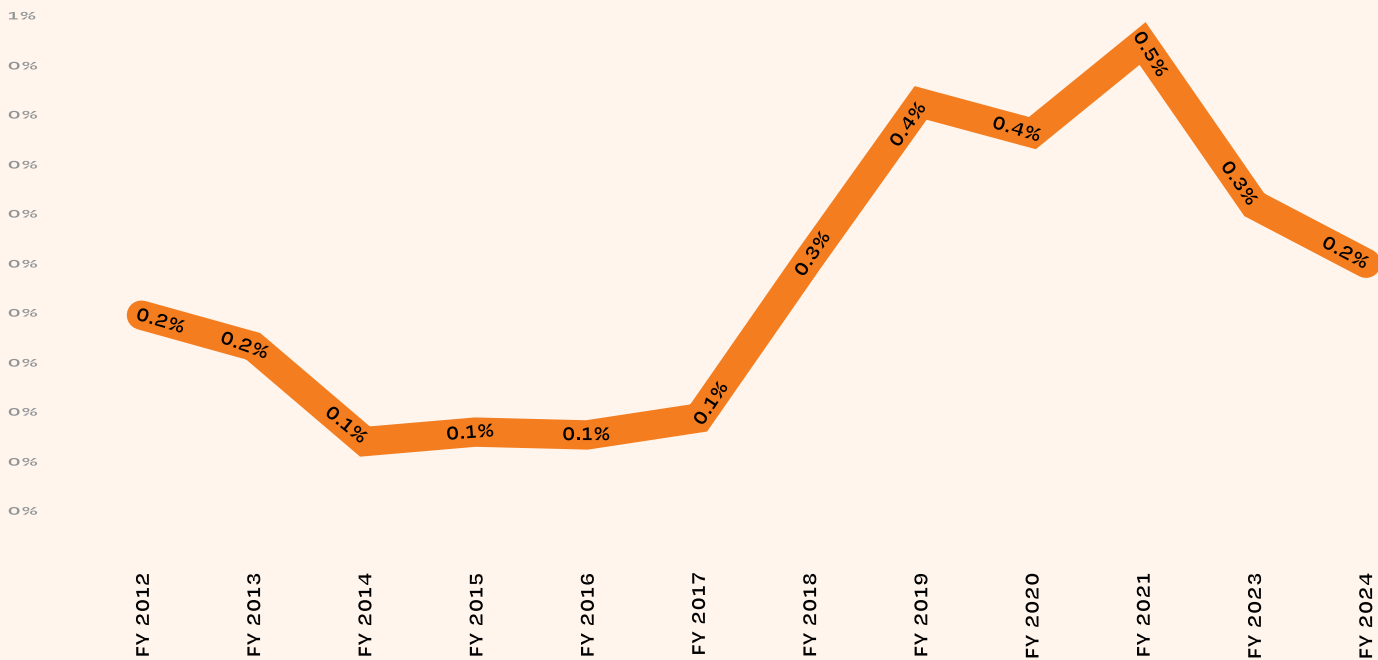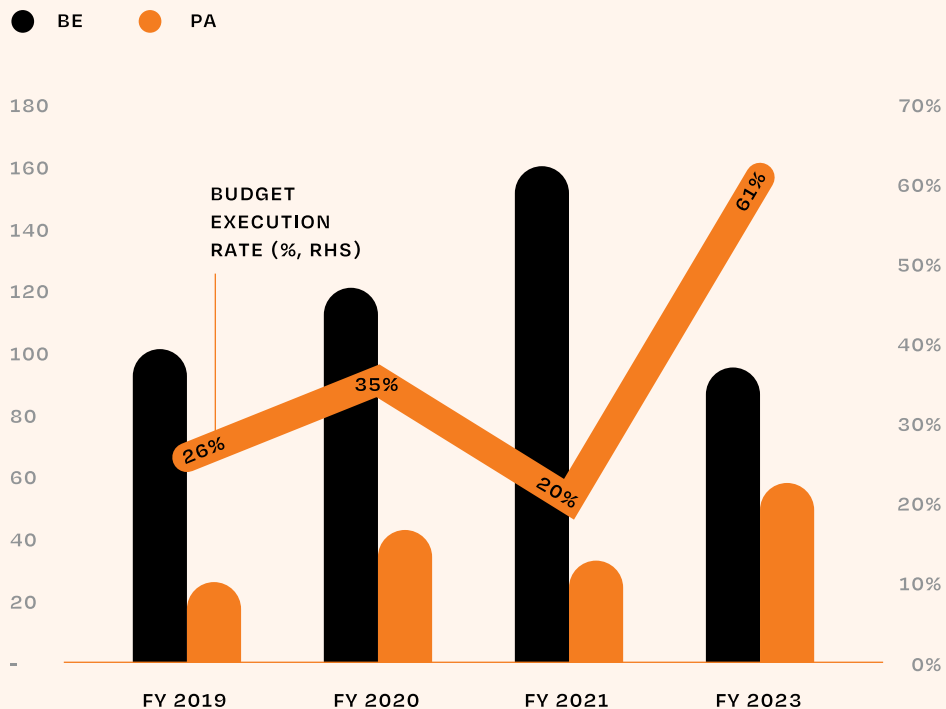**FIGURE 29** **MSWRR SPENDING AS SHARE OF UNION BUDGET**

FIGURE 30 **MSWRR BUDGET EXECUTION FOR THE FIRST TWO QUARTERS**

PROVISIONAL ACTUALS VERSUS BUDGET ESTIMATES (%)

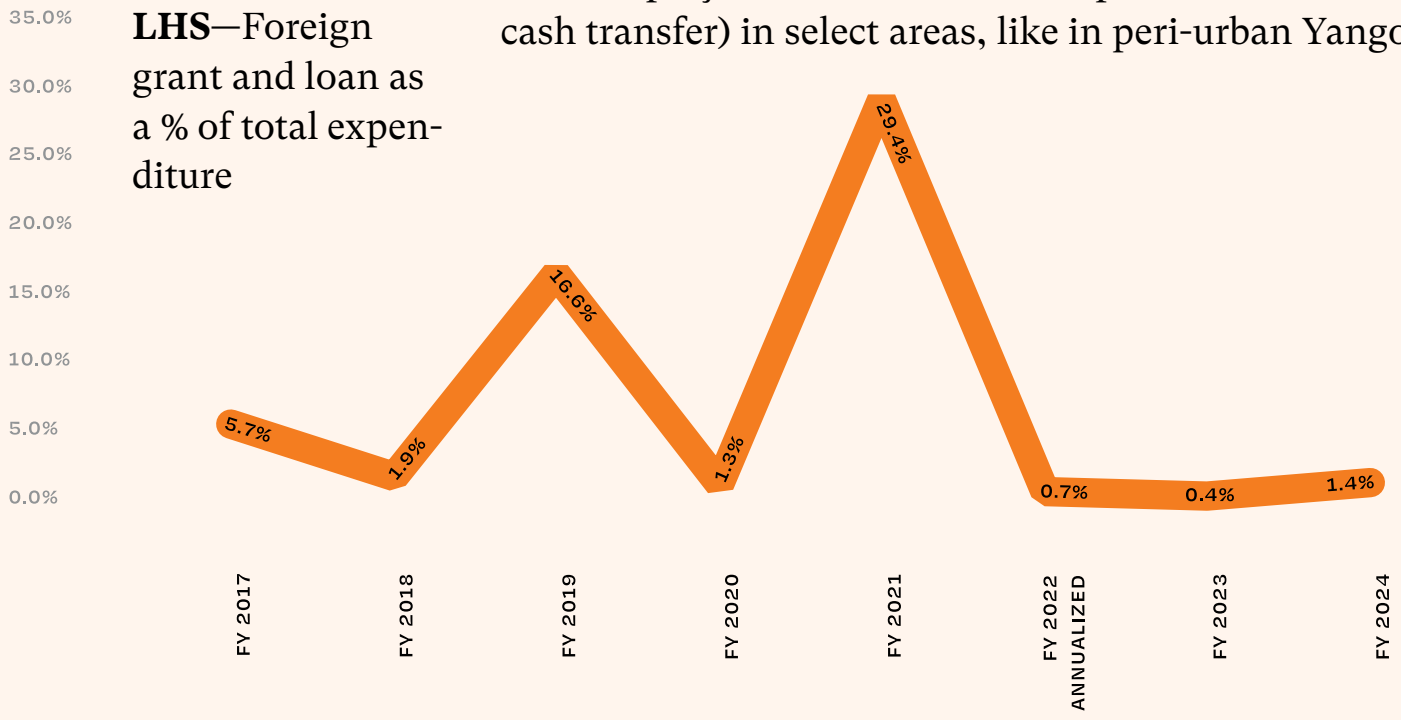Note: BE = budget estimate; TA = temporary actuals

Source: MOPF - https://www.mopf.gov.mm/ ; World Bank Staff estimates

DECLINING FOREIGN GRANT AND LOAN CONTRIBUTIONS TO THE MSWRR TOTAL EXPENDITURE
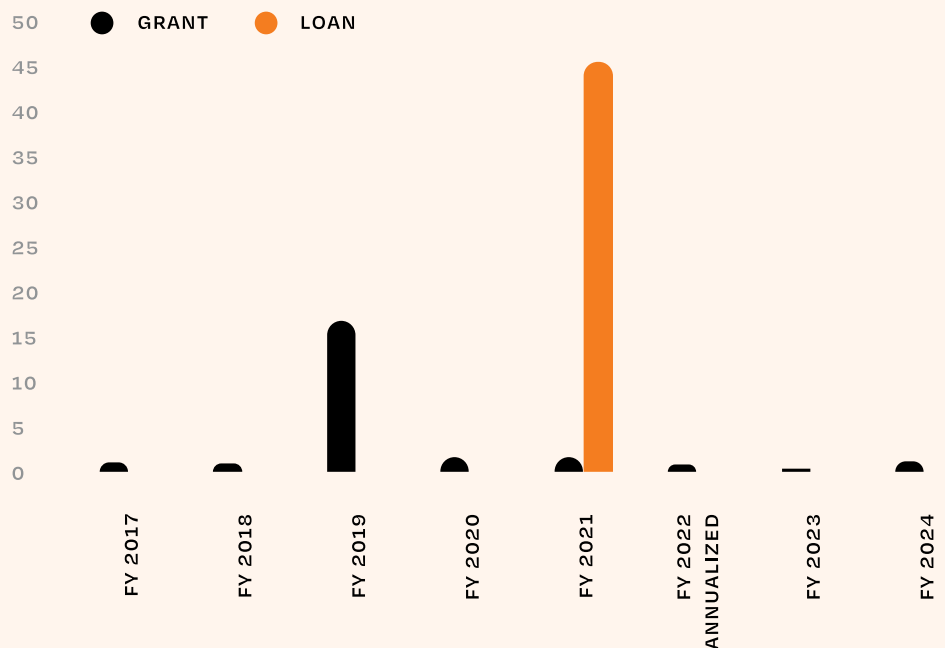
External financing plays a marginal role with a slight increase in foreign grants under the FY 2024 budget. The budget plans an increase in foreign contributions from 0.4 to 1.4 percent as a share of total ministry expenditure. None of the expenditure relies on external loans since FY 2021 (Figure 31). In the absence of budget resources to support the social protection system, development agencies collaborate with international and local NGOs to implement humanitarian aid cash transfer projects (similar to social pension and MCCT cash transfer) in select areas, like in peri-urban Yangon

LHS—Foreign grant and loan as a % of total expenditure

RHS—Foreign grant and loan (MMK billion)

where national MCCT program was not implemented. Those projects cannot fully replace a comprehensive public sector social protection system but can help alleviate challenges associated with food insecurity and access to healthcare services by vulnerable populations.