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BUDGET MONITORING AND OVERSIGHT SYSTEM IN MYANMAR

DISCUSSION PAPER

Renu Deshpande

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About the Author

Renu Chhabra Deshpande has over 25 years of experience in public financial management and the wider public sector. Previously, she served as practitioner and manager in Government of India, and international organizations such as The World Bank, International Monetary Fund and Department for International Development. She is experienced in designing, implementing and providing advisory services in institutional reforms and leading capacity development initiatives.

Preface

Since 2011, Myanmar has embarked on a series of reforms to improve fiscal transparency and strengthen its public financial management system. Inter alia, these reforms have led to the establishment of new institutions (such as the Treasury Department and Public Accounts Committee in the Union Parliament), as well as new practices and procedures (such as granting autonomy to states and regions to prepare their own budgets, the publication of the Citizen's Budget, and the dissemination of the Union Budget Law on the Ministry of Finance web portal). Improved media reporting and initiatives by civil society organisations to improve budget literacy have also been important milestones in enhancing fiscal transparency. Yet despite the progress, serious challenges remain that could greatly hinder public financial management reforms. The budget process in Myanmar continues to be top driven and guided by outdated practices; performance evaluations that ensure accountability are weak; and crucially, the absence of an adequate framework for linking budget expenditures to policy priorities has been impeding effective allocation of resources and genuinely responsiveness to the needs of citizens.

Recognizing the need to support the Union government's reform process, The Asia Foundation is pleased to present this discussion paper on how budget monitoring and oversight are currently practiced in Myanmar. We hope the insights provided in this report would be useful to inform government, civil society organizations, and development partners will help inform the ongoing public discourse, and interventions aimed at improving public financial management in Myanmar. There is a critical need in Myanmar to review budget expenditure and reassess its alignment with national priorities, as well as the efficacy of existing policies and procedures that support the budget oversight and monitoring process. Given the complex and varied factors relevant to budget execution and fiscal transparency, a range of qualitative approaches were employed to address these topics, including desk review, consultations and semi structured interviews with key government officials, data triangulation, and consultations with donor partners.

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ACRONYMS

CBO	Community-based organization
CSO	Civil society organization
DAO	Development Affairs Organization
DRD	Department of Rural Development
EMReF	Enlightened Myanmar Research Foundation
GAD	General Administration Department
GDP	Gross domestic product
IIA	Institute of Internal Auditors
INGO	International nongovernmental organization
IMF	International Monetary Fund
JPAC	Joint Public Accounts Committee
MAC	Myanmar Accountancy Council
MDGs	Millennium Development Goals
MEB	Myanmar Economic Bank
MOI	Ministry of Information
MoPF	Ministry of Planning and Finance
MP	Member of parliament
MTEF	Medium-Term Expenditure Framework
MTEF	Medium-term fiscal framework
NGO	Nongovernmental organization
NPC	National Planning Commission
OAG	Office of Auditor General
OECD	Organization for Economic Cooperation and Development
PAC	Public Accounts Committee
PAPRD	Project Appraisal Progress Reporting Department
PEFA	Public Expenditure and Financial Accountability
PFIC	Plan Formulation and Implementation Committee
PFM	Public financial management
SEE	State economic enterprise
SOE	State-owned enterprise
TPFIC	Township Plan Formulation and Implementation Committee

EXECUTIVE SUMMARY

In the last five years, Myanmar has seen a transition towards a democratic system of government and from a state-dominated economy to a market-oriented system. It has also begun a transition towards greater decentralization. The Union government has taken significant steps to strengthen its public financial management (PFM) system and improve fiscal transparency, by establishing new institutions, procedures, and practices. Establishing parliament's Public Accounts Committee, granting autonomy to the central bank, and establishing the Treasury Department are some of the initiatives that signal the government's determination to reform and restructure the PFM system. With the publication of the Citizen's Budget and the Union Budget Law on the Ministry of Finance's web portal, government has demonstrated its willingness to enhance budget transparency.

The Union government has separated the state/region governments' budgets from the Union, or national, budget. The states and regions have been given greater autonomy and responsibility to prepare their own budgets. The states and regions, under Schedule 5 of the 2008 Constitution, have the authority to collect 19 taxes and fees, although to date they have largely continued to rely on fiscal transfers from the Union level (a mix of shared revenues and grant transfers) to fund their activities. The grant pool and the allocations of grant transfers to states and regions are based on the Medium-Term Fiscal Framework (MTFF), which uses a simple formula comprising six indicators. However, the scope and mandate of the states/regions on public expenditures remain limited, as a range of expenditures and the administrative system at the state/region level continue to be under the control of Union line ministries.

The budget, being a central policy document of government, is a primary instrument of fiscal policy that affects the functioning and management of the economy. The budget demonstrates how the government will prioritize and resource its annual and multiyear objectives, and allocates resources to achieve the desired outcomes.

The budget process in Myanmar is top driven, elaborate, and guided by past practices. The Planning Department is responsible for preparing the capital budget at the Union level; its functionaries are responsible at the state/region level; and the Budget Department of the Ministry of Planning and Finance (MoPF) is responsible for preparing the current and financial budgets, and for other budgetary functions such as compiling the final budget documents and the management and approval processes. The process begins with MoPF issuing the budget circular in September (although for FY 2017–2018 there was a delay, and the budget circular was issued in late November 2016).

In Myanmar, the budget process is focused on control, with emphasis on controlled processing of transactions and avoiding budget over-runs, rather than on broader accountability for the effective use of resources. Further distinction between capital and recurrent expenditures, and the use of inadequate budget classification systems, fails to clearly link plans with budgets on the one hand, and discourages the articulation of expected outcomes and the assessment of success or failure on the other hand.

MoPF receives limited feedback. There is no evidence that appraisal reports, if there are any, are considered in the course of preparing or monitoring the budget. The government relies on reports of the Office of the Auditor General (OAG) rather than on internal standards and review by MoPF or the departments themselves. The OAG's limited compliance audits and financial audit reports provide some feedback to MoPF about compliance with minimum requirements. The focus of audits is transactions rather than systems and processes. An internal audit has recently been established, and the internal auditors have received some brief training. As of now, the role of the internal audit continues to be limited to checking

transactions, before and after the fact, to verify that all expenditures are booked to the correct accounts and that all transactions have been recorded. An internal audit manual has been developed with the support of partners, but it has not yet been accepted by the government. The nascent internal audits in spending bodies do not give ministry senior managers sufficient assurance that financial systems and procedures are being well managed, that rules and regulations are being observed and enforced, and hence that government monies are being used efficiently and effectively.

The national parliament has a fundamental role in authorizing budget decisions and holding government to account. Legislators and their constituents should be informed participants in the national discussion of budget policy, for which access to budget documents and data is necessary. Overall, it appears that parliament is able to perform this role, and that the government does provide the necessary documents and reports. Some parliamentarians have used social media to inform their constituents about budget proposals and appropriations. The newly constituted Joint Public Accounts Committee (JPAC) has actively reviewed the budget for FY 2017–2018 and has also suggested budget cuts. The only formal mechanism for holding the government to account is the discussion of the audit reports in parliament. In the past, these reports have been actively discussed by JPAC and the parliament. The audit report for FY 2014–2015 is yet to be delivered to parliament, and it remains to be seen how actively this report will be reviewed, as most legislators are new to the process.

Inadequate information hampers public discussion of how the government spends its resources on behalf of the public. The government's Framework for Economic and Social Reforms, and the Nay Pyi Taw Accord on Effective Development Cooperation, provide for citizen participation through inclusive policy dialogue, inclusion in the political process, and steps to promote accountability. This implies citizens are aware and informed, however, the reality is that a large section of the public continues to be unaware and there are few avenues for people's participation in the budget process.¹ The Budget Law provides a limited snapshot of central government revenues, expenditures, and financing, but there are significant unreported government operations, which undermines budget comprehensiveness and transparency. The Citizen's Budget 2016–2017, or "People's Budget," is a commendable effort to provide some basic information to citizens and a first step to increase awareness and improve budget literacy. Access to meaningful information is a key determinant of the success of public participation in monitoring and evaluating the government budget. The new government that took office in April 2016 has signaled its commitment to improving fiscal prudence through stronger, more transparent public financial management, as reflected in their 12-point economic policy document. The government recently has taken significant steps to enhance transparency of fiscal information available in the public domain by publishing the Pre-Budget Statement, Executive Budget, In year Report and Year-end report in addition to The Union Budget Law available to the people. Coupled with the above measures, media reporting on Union Budget policies and the proceedings of the parliament being televised along with engagement of the civil society organizations (CSO) on budget analysis and dissemination is likely to enhance people's participation in the budget process.

Going forward, it will be useful for the government to publish online the disaggregated data and budget documents that it already produces, such as the pre-budget statement, the executive's budget proposal, mid-year reviews and the year-end report in the timeframe consistent with the international standards. This will allow for meaningful analysis to enable greater participation by all stakeholders.

¹ Susan Tanaka, "Engaging the Public in National Budgeting: A Non-governmental Perspective," *OECD Journal on Budgeting* 7, no. 2 (2007).

OBJECTIVE

Recognizing the need to support the Union government's reform process, this discussion paper provides baseline information on how budget monitoring and oversight are currently practiced in Myanmar, painting a systematic portrait that policymakers can use to create systems and procedures that are consistent with established best practices. Details of the budget and planning processes, particularly at the subnational level, have been described and documented in recent publications that are available in the public domain.

The study attempts to provide insight into the following:

- The existing policies, procedures, and mechanisms that support budget oversight and monitoring.
- The role of two key oversight institutions, the Union and state/region hluttaws and the OAG, in exacting accountability from implementing agencies; their independence and capacity to review compliance and publish their findings; the relationship between these key oversight institutions; and the incentives or disincentives to duly perform their oversight functions.
- The role of audits in determining how government resources are raised and spent to achieve policy objectives.
- The use of assessments to inform policy/budget decisions or to exact accountability, and the availability of this information to the public.
- Other available mechanisms, apart from these oversight institutions, to exact accountability from implementing agencies.
- The mechanisms by which other actors, such as civil society and the media, can more effectively assist in oversight and monitoring.

The paper concludes with key procedural and policy recommendations for consideration by the Union government, based on established international standards and best practices.

METHODOLOGY

Desk review: A desk review of the current literature on international best practices included reports such as the International Monetary Fund's *Code of Good Practices on Fiscal Transparency*, the Organization for Economic Cooperation and Development's *Best Practices for Fiscal Transparency*, the International Organization of Supreme Audit Institution's *IntoSAI-Lima Declaration of Guidelines of Supreme Audit Precepts* as well as technical notes from organizations such as the Public Finance and Accountability Initiative, the World Bank and the International Budget Partnership.

In the course of studying the Public Expenditure and Financial Accountability (PEFA)² assessment of Myanmar, the World Bank's *Public Expenditure Review*, the Union Budget Law, and Citizen's Budgets were also reviewed.

² PEFA is a methodology for assessing public financial management performance. It provides the foundation for evidence-based measurement of countries' PFM systems. A PEFA assessment measures the extent to which PFM systems, processes, and institutions contribute to the achievement of desirable budget outcomes.

The study would have benefitted if the government had made available internal audit reports, statutory audit reports, and performance reviews, none of which are available in the public domain.

Consultations with donor partners: These consultations focused on gathering relevant information and the issues and challenges of the budgeting system.

Consultations and semistructured interviews with key officials: To understand how the budget is prepared and executed, semistructured interviews and focus group discussions were held with officials from key national and regional agencies such as the Budget Department, the Union/regional auditor generals' offices, and the Nay Pyi Taw District Auditor General's Office. The list of agencies and officials is appended.

Data triangulation: Data in the public domain and information obtained from discussions with stakeholders allowed for data triangulation, and helped to distinguish the system as it is laid out in laws and regulations from what exists in practice.

Assessment and analysis: An assessment of budget monitoring and accountability in Myanmar was based on best practices and guidelines developed by multilateral institutions, including the IMF (*Code of Good Practices on Fiscal Transparency*), the Public Finance and Accountability Initiative, the OECD (*Best Practices for Fiscal Transparency*), the International Organization of Supreme Audit Institutions (*Lima Declaration of Guidelines of Supreme Audit Precepts*) and the International Budget Partnership.

Monitoring: This discussion paper examines Myanmar's budgeting practices in light of recommendations by the IMF, the Council on Budgetary Governance of the OECD, and others. These recommendations suggest that the government should actively plan, manage, and monitor the execution of the budget authorized by parliament and ensure that there is full and faithful implementation by public agencies. The Council on Budgetary Governance also recommends that budget authorities and line ministries establish oversight processes and mechanisms to regularly monitor budget implementation.

This paper also examines whether budget execution reports, such as in-year and audited year-end reports, being fundamental to accountability, are prepared and available to government and the public and contain useful information on performance and value for money. The paper addresses questions such as: Does the government use these reports to answer questions about performance, and are they being used to inform future budget allocations? Are there any mechanisms to measure performance, such as evaluations and value-for-money reviews? Are these mechanisms integral to the budget process?

Oversight: Assessment of the strength of the oversight function was primarily based on the *Lima Declaration* and the OECD's *Principles of Good Governance*. Key indicators were the existing constitutional provisions and the independence of the OAG to discharge its duties and responsibilities. The capacity of the OAG and regional auditor generals was also assessed based on the types of audits carried out, the resulting recommendations, and what measures were then accepted by the government. Interviews with these key officials helped reveal the role, position, and independence of the internal audit system.

The legislature has important roles to play in preparing, approving, and implementing the budget. Several dimensions of the legislature's budget authority were examined: Can the legislature amend a budget proposed by the executive? Can legislators ensure that expenditures are made for the purposes authorized? Are audit reports discussed in parliament, and are the legislature's recommendations implemented by the government?

Transparency: To determine the level of budget transparency, interviews were conducted with international nongovernmental organizations (INGOs) and CSOs, focusing on their experience on the ground. The transparency assessment was based on whether documents are made public, the information is relevant for meaningful public participation, and citizens and CSOs are able to meaningfully contribute to the development and execution of the budget.

A review of international best practices, such as those prescribed by PEFA, the OECD's principles of good budgeting, and the *Open Budget Questionnaire* of the International Budget Organization, helped determine the comprehensiveness and transparency of the budget process. OECD recommends, for good budgetary governance, that budget documents and data be open, transparent, and accessible. The International Budget Partnership has been conducting its Open Budget Survey to periodically assess budget transparency in countries including Myanmar.

Citizen engagement in the budgetary process: Civil society groups are usually better than governments at explaining budgets in accessible language to ordinary people and local communities. In effect, civil society can be a powerful communications network bringing public officials closer to their constituents. Interviews with development partners and stakeholders such as CSOs sought to understand their role in budget advocacy and their efforts to engage the public in all stages of the budget process.

AN INTRODUCTION TO BUDGETS, BUDGET MONITORING AND OVERSIGHT

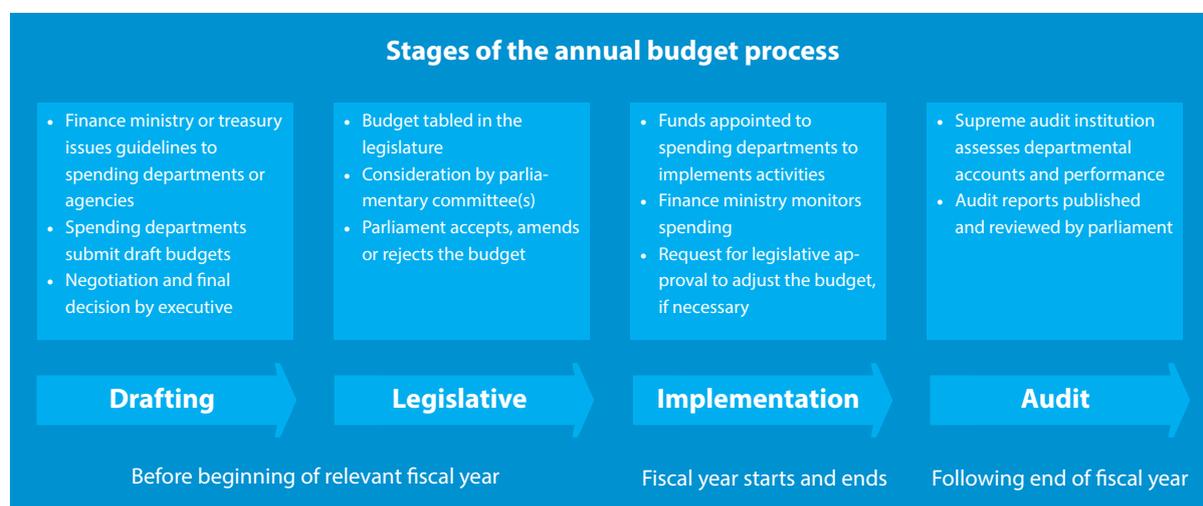
Budgets

The budget is a central policy document of government. It is a primary instrument of fiscal policy, and thus influences the functioning and management of the economy. The budget demonstrates how the government will prioritize and resource its annual and multiyear objectives.

A country's budget can be a powerful lever for social transformation. It is a tool that allows the government to translate national resources into allocations and, if planned and executed well, can lead to sustainable and equitable national development.

Stages of the budget process

Box 1: Stages of the annual budget process³



Budget preparation and monitoring

The budget cycle starts with the finance ministry or treasury issuing guidelines to spending departments or agencies indicating the process and the timeline for submitting budget documents. The draft budget is prepared by the spending departments in an iterative process in which negotiations are held between officials of the departments and the finance ministry, after which it is put before the legislature for discussion, amendment, and approval. Once the budget is approved, funds are apportioned to spending departments to implement approved activities. Budgets must be prepared well, and the entire budget cycle must be well managed through a continuous budget-monitoring process to ensure that the action plan meets spending and revenue targets. Budget monitoring ensures that resources are used for their planned purposes and are properly accounted for. This process ensures not only that economic resources are deployed effectively and efficiently, but also that the potential obstacles and opportunities are identified for timely mid-course corrections. This implies that administrative structures for managing the budget cycle are securely in place, that they are well resourced and adequately staffed, and that

³ Joachim Wehner, *Effective Financial Scrutiny: The Role of Parliament In Public Finance*, World Bank Parliamentary Staff Training Program (World Bank Institute, 2016), 28, <https://www.agora-parl.org/resources/library/effective-financial-scrutiny-role-parliament-public-finance>.

the responsible personnel are well trained, aware of their roles and responsibilities, and competent to undertake their assignments.

Oversight

Oversight mechanisms must ensure that revenues collected and monies spent are properly accounted for and consistent with the purposes established by parliament. Spending controls, internal audits, reviews at the state/regional and national/ministerial levels and the existence of an independent statutory audit assure citizens and the government that the funds have been appropriately used.

Legislative budgetary institutions also perform critical accountability functions. They help enforce before-the-fact accountability, ensuring that budget allocations reflect policy priorities; concurrent accountability, overseeing the execution of the budget by the executive; and after-the-fact accountability, holding government to account for performance and results. Parliaments constitute central agencies of state restraint and external accountability in public finance management.⁴

Budget decisions significantly affect the lives of citizens, and citizens, as a corollary, have a right to be informed about the budget choices that the government makes on their behalf. In the last decade, governments have come to recognize that citizen involvement in the budget process makes decision-makers better informed about the likely effects of their decisions in communities and helps guard against unintended consequences.⁵ Active public engagement also prevents distrust and cynicism, as citizens confront the same trade-offs as decision-makers. Citizen scrutiny improves the efficiency, responsiveness, and accountability of government, thereby warding off corruption. Citizen engagement also makes government more responsive to the needs, views, and values of the public. CSOs make an essential contribution to the budgetary process, as they are better positioned than governments to explain budgets in accessible language to ordinary people and local communities, to conduct research and provide technical expertise, and to facilitate engagement between citizens and the government. In effect, civil society can be a powerful communications network bringing public officials closer to their constituents.

ADMINISTRATIVE STRUCTURE IN MYANMAR

Myanmar is administratively divided into seven states and seven regions, which are constitutionally equivalent, as well as five self-administered zones and one self-administered division, which have a constitutional status similar to a region or state. The smallest formal administrative unit is the village, with several grouped together forming village tracts. Urban wards, towns, and village tracts are grouped into townships, where the lowest-level government offices are generally located. Collections of townships are organized as districts, which in turn make up the region or state. Currently there are 330 townships and 74 districts in Myanmar's fourteen states and regions.

In recent years, there have been important developments in the area of political decentralization. Under the 2008 Constitution, each state and region now has a unicameral, partially elected *hluttaw*, or parliament; an executive branch led by a chief minister; a cabinet of ministers; judicial institutions; and its own budget from the central government (Ministry of Information, 2008). Although the chief minister is

4 Carlos Santiso, "Legislatures and Budget Oversight in Latin America: Strengthening Public Finance Accountability in Emerging Economies," *OECD Journal on Budgeting* 4, no. 2 (2004), <https://www.oecd.org/gov/budgeting/43488676.pdf>.

5 Tanaka, "Engaging the Public in National Budgeting."

approved by the state/region hluttaw, the ministers are appointed by, and ultimately accountable to, the president,⁶ not the hluttaw. Under Schedule 2 of the 2008 Constitution, the state/region governments' legislative mandate on expenditures is limited. At the village or village tract level, Myanmar has replaced centrally appointed administrators with locally elected leaders. At the township level, however, where many key functions of government take place, and at the district level, there are no elected bodies. Both townships and districts continue to be headed by a senior official of the General Administration Department (GAD) of the Ministry of Home Affairs.

There are 18–24 departments in the state and region governments, but the separation of roles and responsibilities between state/region departments and the Union departments at the state/region level is unclear. There seems to be a move towards devolving authority to lower administrative levels. State and region governments are now preparing their own budgets, but they cover only the income and expenditures of departments and state economic entities associated with those governments, and represent, in total, just 11 percent of all public spending in states and regions.⁷ Their control over budget composition and priorities continues to be limited to sectors such as state roads and bridges, local administration, development affairs organizations (DAOs), and very few activities in agriculture, irrigation and forestry. Some regions, such as Tanintharyi, have seen modest investments in off-grid electricity generation and distribution. There is limited scope for states and regions to prioritize among sectors.⁸ They are also limited by their continued reliance on Union resources and administrative infrastructure, and decision-making with respect to the budget remaining largely the responsibility of centrally appointed chief ministers and the Union.

The primary responsibility for preparing the national budget and presenting it to the Union parliament is vested in the MoPF. This ministry has seen multiple reorganizations since Myanmar gained its independence. The Ministry of Finance and the Ministry of National Planning were formed as two separate ministries in 1948. In 1972, with the advent of the socialist administrative system, they were combined to form the Ministry of Planning and Finance. With the Notification Order 12/93 of the State Law and Order Restoration Council, dated February 17, 1993, these ministries were once again reorganized as the separate Ministry of Finance and Revenue and Ministry of National Planning and Economic Development. With the new government in 2016, they have been reunited once more as the Ministry of Planning and Finance.

Box 2: Main functions of the Ministry of Planning and Finance⁹

Main Functions

- To formulate and submit long-term, medium-term, and annual plan[s] in accordance with the national economic policies.

6 Constitution of the Republic of the Union of Myanmar (2008), Article 261(c), http://www.burmalibrary.org/docs5/Myanmar_Constitution-2008-en.pdf.

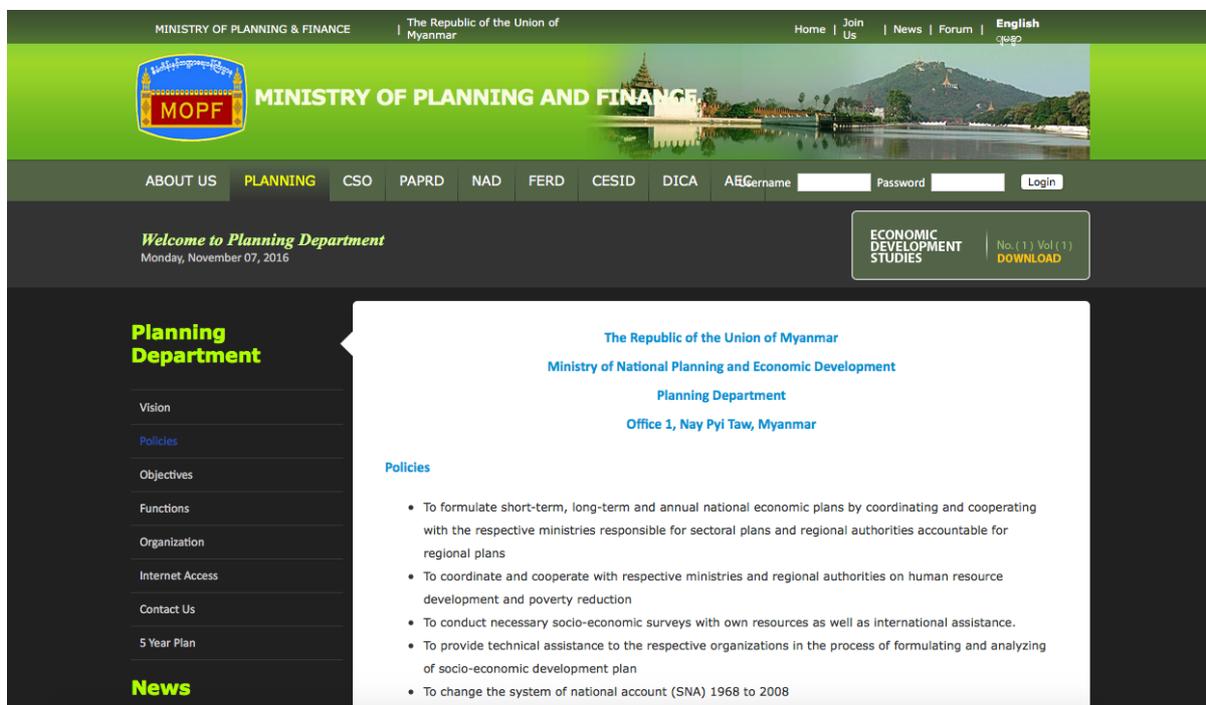
7 "Citizen's Budget 2016–17," Myanmar Ministry of Finance website, accessed July 21, 2017, <http://www.mof.gov.mm/en/citizens-budget-2016-2017>.

8 Roger Shotton, Zin Wint Yee, and Khin Pwint Oo, *State and Region Financing, Planning and Budgeting in Myanmar: What Are the Procedures and What Are the Outcomes?* (Renaissance Institute and The Asia Foundation, 2016), <http://www.burmalibrary.org/docs23/AF-2017-02-08-State-and-Region-Financing-Budgeting-and-Planning-in-Myanmar-en-tpo-red.pdf>.

9 "Main Functions," Ministry of Planning and Finance website, accessed November 7, 2016, https://www.mopf.gov.mm/index.php?option=com_content&view=article&id=89&Itemid=106&lang=en.

- To study and analyze production, services, trade, and investment activities in line with the market economic system for socioeconomic development of the nation and the people.
- To study the situation of human-resource development and employment opportunities crucial for enhancing [the] economy.
- To archive socioeconomic information and data of the departments and private organizations, analyze [it], and submit it to the higher authority.
- To serve as a coordinating ministry for cooperation with UN agencies, international organizations, INGOs, and regional organizations, based on the national interest [in] the development of the nation.
- To evaluate, review, [and report to the state on] the progress of ministries and private organizations.
- To coordinate among departments, private entrepreneurs, and investors for comprehensive development of business enterprises [and promoting the economy] in the era of modernization.

Even though the ministries have now been combined at the top, there are no indications of functional administrative changes, greater coordination between the departments, or any difference in how work is performed. The following screen shot of the MoPF website is a case in point: the page header reads *Ministry of Planning and Finance*, while the text box still bears the title *Ministry of National Planning and Economic Development*.¹⁰



The responsibility for preparing the capital budget rests with the Planning Department—formerly the Ministry of National Planning and Economic Development—at the Union level, and with its functionaries

¹⁰ Ministry of Planning and Finance website, accessed November 7, 2016, https://www.mopf.gov.mm/index.php?option=com_content&view=article&id=57&Itemid=89&lang=en.

at the state/region level. Preparing the current and financial budgets, along with other budget processes such as compiling the final budget documents and managing the approval process, are the responsibility of the MoPF's Budget Department—formerly the Ministry of Finance and Revenue.

THE PLANNING PROCESS IN MYANMAR

The Institutional Framework

Role of the Planning Commission

The government established a Planning Commission in 2012 as the supreme planning body for coordinating and implementing the national development plan. The Commission, in turn, formed region and state planning and implementation committees, as well as district- and township-level planning and implementation committees, chaired by the respective administrative offices. The new government has maintained its commitment to this process with the formation, in May 2016, of the National Planning Commission (NPC), with the president as the chair, and vice president 1 and vice president 2 as vice chairs (Annex 1). The Union planning and finance minister is the secretary, with union ministers, the attorney general, and the auditor general as some of the members. The chief ministers of the states/regions and the chair of the Nay Pyi Taw Council are also members of the Commission. This not only makes the Commission a more inclusive body but would also help put forth the concerns and safeguard the interests of the states/regions. The NPC is responsible for appraising and approving the plans submitted by the Union and by the state/region ministries. It also has been vested with the power to review the short-term plan and the National Comprehensive Development Plan. Once approved by the NPC, these plans are submitted to the Union parliament by the MoPF's Planning Department. Officials of the Planning Department indicated that the national plans for FY 2017–2018 had been reviewed in January by the NPC. Media reports also indicate that the national plans were last reviewed by the NPC, with the president chairing the meeting, in the presence of the state counselor.¹¹

At the subnational level, through a follow-up notification (Annex 2), the new government established state/region planning commissions.¹² The state/region planning commissions are representative bodies, with the chief minister of the state or region as the chair, and ministers and representatives of the private sector as members. They report to the NPC and work under its direction. State/region planning commissions are responsible to “analyze and approve the plans which actually support the socioeconomic [sic] of respective states/regions without affecting the environment.” State/region planning commissions are also responsible to “submit the state/region plans to [the] state/region hluttaw through the state/region government.” Presidential Notification No. 12/2016, May 5, 2016, detailing the composition, duties, and responsibilities of the state/region planning commissions, is in Annex 3.

The plan formulation and implementation committees

At the subnational level, the plan formulation and implementation committees (PFICs) are tasked with submitting plan proposals to the state/region planning commissions.¹³

11 “Myanmar discusses national plan for 2017–18,” *Talk Vietnam.com*, January 11, 2017, <https://m.talkvietnam.com/2017/01/myanmar-discusses-national-plan-for-2017-18/>.

12 Presidential Notification No. 12/2016, May 5, 2016.

13 Plan Formulation and Implementation Committees Notification No.13/2016, May 5, 2016.

Box 3: Subnational plan formulation and implementation committees¹⁴

State PFIC

Chair: state/region minister of planning and finance

Members: MPs, selected nongovernmental institutions and business leaders, state/region directors of budget, education, health, highways, agriculture, forestry, fisheries, veterinary services, land records, industry, etc.

Secretary: state/region director of planning

Joint secretary: state/region director of the Department of Rural Development (DRD)

District PFIC

Chair: district administrator (GAD)

Members: MPs, selected NGO and business leaders, district directors of education, health, highways, agriculture, forestry, fisheries, veterinary services, land records, industry, etc.

Secretary: district planning officer

Joint secretary: district director of DRD

Township PFIC

Chair: township administrator (GAD)

Members: MPs, selected NGO and business leaders, township directors of education, health, highways, agriculture, forestry, fisheries, veterinary services, land records, industry, etc.

Secretary: township planning officer

Joint Secretary: township director of DRD

Note: Respondents in some states/regions gave differing accounts of PFIC membership at different levels, so there may be other arrangements. The arrangements shown here were the most commonly described at each level.

Plans and planning process

Myanmar has an elaborate planning system based on a 20-year plan, referred to since 2011 as the National Comprehensive Development Plan. The National Comprehensive Development Plan is prepared using both top-down and bottom-up approaches.¹⁵ Broad goals are set at the top, while detailed plans are compiled from inputs from every township, government ministry, and agency. At the township level, however, the plans appear to be a catalogue of investment projects, and are not prioritized. The long-term plan is thereafter divided into five-year plans, with annual plans derived from each five-year plan.

The Planning Department coordinates with the ministries and regional authorities to collect extensive data and statistics in the course of plan formulation. These plans, and the annual outlays, focus on capital development, and are developed in consultation with the ministries concerned. In appraising these capital budget proposals, the Planning Department reviews past capital expenditures and considers current economic policy to determine the annual allocation. In the event of budget cuts, however, the process for revising plans is opaque, and perhaps somewhat ad-hoc, and it is not clear if the availability of other resources, especially at the local level, is considered.

¹⁴ Shotton et al., *State and Region Financing*.

¹⁵ Asian Development Bank, Economics and Research Dept., *Myanmar: Unlocking the Potential* (Mandaluyong City, Philippines: Asian Development Bank, 2014), <https://www.adb.org/sites/default/files/publication/42870/myanmar-unlocking-potential.pdf>.

The Budget Department establishes the proportions of spending assigned to capital and recurrent costs, keeping in view the MTFF. The MTFF presents a three-year perspective of macroeconomic and fiscal development, providing revenue projections that enable the government to make well-informed decisions on government policies and spending. Based on this framework, the line ministry prepares a capital budget reflecting its priorities for new and ongoing projects. Sectoral committees on construction, machinery and equipment, and other capital examine the plan to approve the projects that are to be included in the annual budget. The Planning Department then reviews the capital budget in light of the economic plan and the government's priorities. No major policy decisions or options are required to be fully costed in the plan, however. The discretion to include projects and provide additional funding rests with the vice president before the budget is submitted to parliament.

Plan monitoring and review

According to the Planning Department, the plan that ended in 2015 had yet to be reviewed at the time of this research. An annual report was prepared at the department level, however. This annual report is a list of projects, and details spending on continuing projects and the activities undertaken. The last annual report, for FY 2015–2016, was published by the Ministry of Information and is a publicly available document. A cursory review indicates that progress is monitored largely by comparing actual to allocated expenditures. The report shows a number of ongoing projects with time overruns¹⁶ and cost overruns.¹⁷ In the absence of detailed reviews by the department, it is difficult to determine the reasons for rising costs and project delays. These overruns may be due to currency fluctuations raising the cost of imported materials, or they may point to ineffective planning and budgeting that underestimated time and costs.

An official of the Union Planning Department at Nay Pyi Taw explained there is a separate department, the Project Appraisal Progress Reporting Department (PAPRD) that is responsible for “inspection” of some ongoing projects. This department prepares a report for the president, submitted through the MoPF. The PAPRD has recently been separated from the Planning Department in an effort to reorganize and restructure the activities of the government, although it remains under the MoPF and reports to the director general for planning. It is unclear how or whether findings of the PAPRD have contributed to the budget process in the past.

Historically, the focus of the erstwhile Ministry of Planning and Economic Development was on outputs and the preparation of national accounts, and particularly the national output of goods for consumption and of exports in so-called “productive” sectors such as agriculture and mining. This was evident in the consultation with the Planning Department at the regional level, where officials mentioned that their primary task was to collect data on production for calculating the gross domestic product (GDP). The productive sectors are provided with targets, and these targets are monitored by the Planning Department. For the social sector, the Planning Department uses the indicators of the Millennium Development Goals (MDGs). It is not clear how the MDGs’ aggregate indicators help monitor the progress of all social development programs, as they address only health and education and are not designed for monitoring how operations match plans and achieve target outcomes. The Planning Department does not seem to monitor the performance of social-sector programs of the Ministry of Social Welfare and Resettlement,

¹⁶ A time overrun involves increased costs when more time than originally estimated is required to complete a project.

¹⁷ A cost overrun, also known as a cost increase or a budget overrun, involves unexpected costs exceeding the budgeted amounts due to an underestimation of the actual cost during budgeting. A cost overrun should be distinguished from a cost escalation, which is an *anticipated* growth in a budgeted cost due to factors such as inflation.

and it is difficult to ascertain whether these programs are well resourced, or if the budget truly reflects the government’s priorities and is being used as an instrument for setting the development agenda.

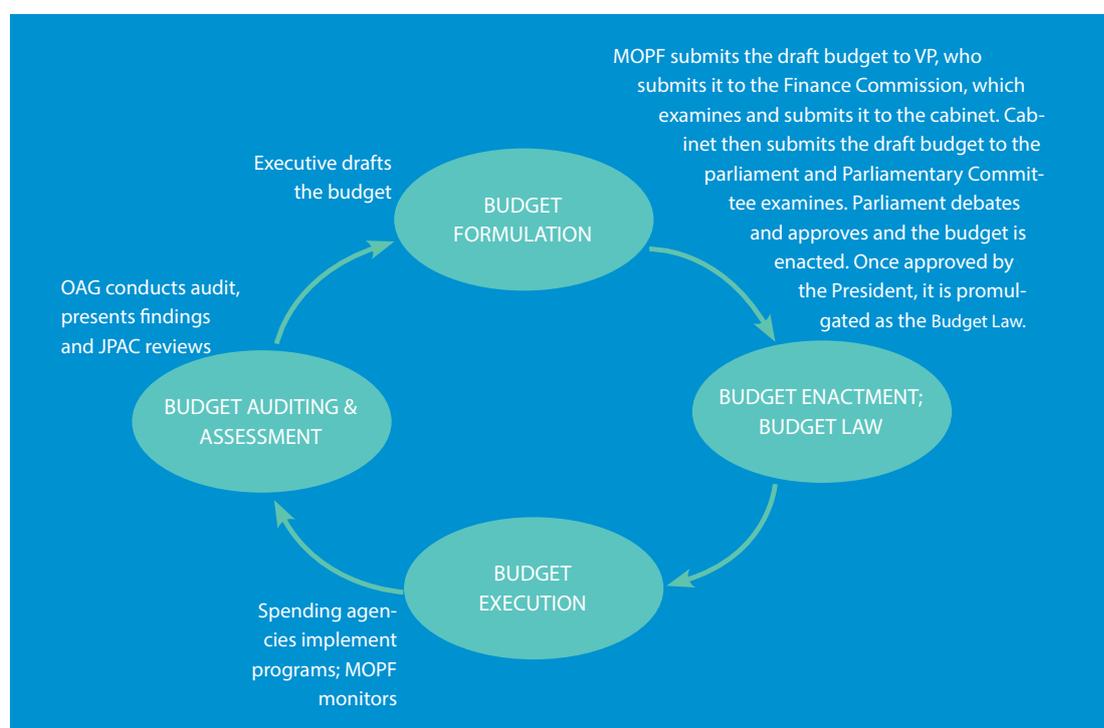
Decreasing relevance of the planning process?

From FY 2009 to FY 2015, the Union budget saw significant changes in the composition of spending, with capital spending falling from 63 to 38 percent. In that same period, the budget share of social services increased from about 10 percent to 33 percent, general public services held steady at about 11 percent, and defense spending increased from 21 percent to 32 percent.¹⁸ With current expenditures growing largely due to rising salaries and wages and increased spending on social services, and with the government’s commitment to cap the budget deficit at 5 percent of GDP, there is shrinking fiscal space for capital expenditures, diminishing the relevance of the planning process.

THE BUDGET PROCESS IN MYANMAR

Myanmar’s financial year runs from April 1 to March 31. The executive and legislative branches of government have different but significant roles to play in the formulation and adoption of the Union budget.

Box:4 Snapshot of the budget cycle



18 Douglas M. Addison et al., *Myanmar Public Expenditure Review 2015: Realigning the Union Budget to Myanmar’s Development Priorities* (World Bank, 2015), <http://documents.worldbank.org/curated/en/504121467987907393/Realigning-the-union-budget-to-Myanmar-s-development-priorities-public-expenditure-review>.

Legislative mandate

According to Article 103 of the Constitution (Box 5), all bills related to national plans, annual budgets, and taxation are required to be submitted to the Pyidaungsu Hluttaw. The Pyidaungsu Hluttaw has the authority to discuss and modify the budget, subject to some restrictions regarding expenditures that can be discussed but cannot be reduced or eliminated, such as the salary and allowance of constitutional heads, expenditures consequent to court decisions, expenditures in support of international treaties, etc. The budget is discussed, examined, and reviewed, and adopted as the Budget Law by the Pyidaungsu Hluttaw. The President then ratifies the Budget Law.

Box 5: Article 103 of the Constitution, mandate of the Pyidaungsu Hluttaw

Article 103

(a) The President or the person assigned by him, on behalf of the Union Government, shall submit the Union Budget Bill to the Pyidaungsu Hluttaw.

(b) The following matters included in the Union Budget Bill shall be discussed at the Pyidaungsu Hluttaw but not refused or curtailed:

- salary and allowance of Heads and Members of the Union level organizations formed under the Constitution and expenditures of those organizations;
- debts for which the Union is liable and expenses relating to the debts, and other expenses relating to the loans taken out by the Union;
- expenditures required to satisfy judgment, order, decree of any Court or Tribunal;
- other expenditures which are to be charged by any existing law or any international treaty.

(c) Approval, refusal and curtailing of other expenditures except the expenditures specified in Sub-Section (b) shall be passed by the majority consent of the Pyidaungsu Hluttaw.

Budget system

The budget process is top down and elaborate, and begins in September with the MoPF issuing a budget calendar and calling for budget proposals from the Union ministries and regional budget authorities. The schedule for submission of budget proposals by Union ministries, organizations, and state-owned enterprises (SOEs) is prescribed (Box 6).¹⁹

The budget proposals forwarded by the spending entities are appraised in detail by the MoPF. Once the vice president appraises the summary of revenue and expenditure, the consolidated budget, which includes the plan (capital) budget and the recurrent (current) budget of the Union, the state/region plans and recurrent budgets, and other documents, are submitted to the Financial Commission. The Financial Commission is vested by the Constitution with significant budgetary powers and must submit its recommendations for the Union budget to the Pyidaungsu Hluttaw.

¹⁹ Citizen's Budget 2016–17.

The Financial Commission is chaired by the president, with the vice presidents designated as vice-chairs. It is an inclusive body, with the attorney general, the auditor general, the chief ministers of the states and regions, and the chair of the Nay Pyi Taw Council as members. The secretary is the head of the MoPF. The president's official notification of the formation of the Financial Commission is in Annex 3.²⁰

Box 6: Timetable for budget process at the Union level

	Period	Process
1	First week of September	MoPF requests budget proposals, within the expenditure framework, from Union ministries and organizations.
2	First week of October to third week of October	Preliminary appraisal of current and capital expenditure of ministries and expenditure of Ministry of Construction.
3	Fourth week of October to third week of November	Detailed appraisal of current, capital, and financial revenues and expenditure.
4	Fourth week of November	Appraisal by vice president of revenue and expenditure summary.
5	Second week of December	Vice president submits budget to Finance Commission.
6	Before January 15	With the approval of the Finance Commission, the cabinet submits the budget account and Union Budget Law (Draft) to parliament.
7	Before January 30	Committees of the lower and upper houses of parliament submit the findings from the Budget Account and Draft Law to the Joint Bill Committee and the Joint Public Account Committee.
8	Before February 15	Joint Public Accounts Committee submits financial analysis, and Joint Bill Committee submits legal analysis to the Union parliament.
9	Date and time declared by speaker of Union parliament	Budget Law ratified by the Union parliament.
10	Before March 31	The president signs and enacts the Budget Law, which has been approved by the Union parliament.

The role of the Financial Commission (Box 7) is to formulate a single draft of the national budget to be tabled in the Pyidaungsu Hluttaw. While drafting the budget, the Commission considers the budget requests of subnational governments, national public-sector organizations, and parliamentary services in light of the priorities of the Union government. During this process, the Commission seeks technical inputs, primarily from the MoPF, on issues such as interest rates, economic indicators, and projected government expenditures.

²⁰ "Formation of the Financial Commission," Republic of the Union of Myanmar President Office website, accessed on 1st August, 2017, <http://www.president-office.gov.mm/en/?q=briefing-room/notifications/2016/04/06/id-6210>.

Box 7: Key duties and functions of the Financial Commission²¹

The Financial Commission was established under the 2008 Constitution as part of wider decentralization efforts. Key roles of the Financial Commission are to harmonize the Union budget with state and region budgets, to recommend the provision of supplementary funding, and to advise on financial matters. Core duties of the Financial Commission as outlined in Section 230 of the 2008 Constitution include:

- (a) The budgets of the Union ministries and Union-level organizations are to be vetted by a vice president assigned by the president, and the estimated budgets of the Union-level organizations, including the Union ministries, are to be submitted to the Financial Commission.
- (b) The budgets of the regions or states are to be vetted by the other vice president assigned by the president, and the estimated budgets of the regions or states are to be submitted to the Financial Commission.
- (c) The Financial Commission shall:
 - a. submit to the Pyidaungsu Hluttaw with [its] recommendation for the Union budget, which includes [all] expenditure[s] of the Union territory, a supplementary finance [recommendation], as suitable to the regions or states, from the Union Fund, giving grants as a special matter and permitting loans;
 - b. advise [on] financial matters that should be undertaken;
 - c. carry out the duties assigned by the Pyidaungsu Hluttaw through the promulgation of law for the emergence of a substantial financial system.
- (d) The Financial Commission shall submit with [its] recommendation to the President the Bill of Union Budget, which includes [the] Union Budget, the distribution of suitable funds from Union Fund accounts to regions or states, the provisions or funds as a special case and disbursing of necessary loans for submission them to the Pyidaungsu Hluttaw.

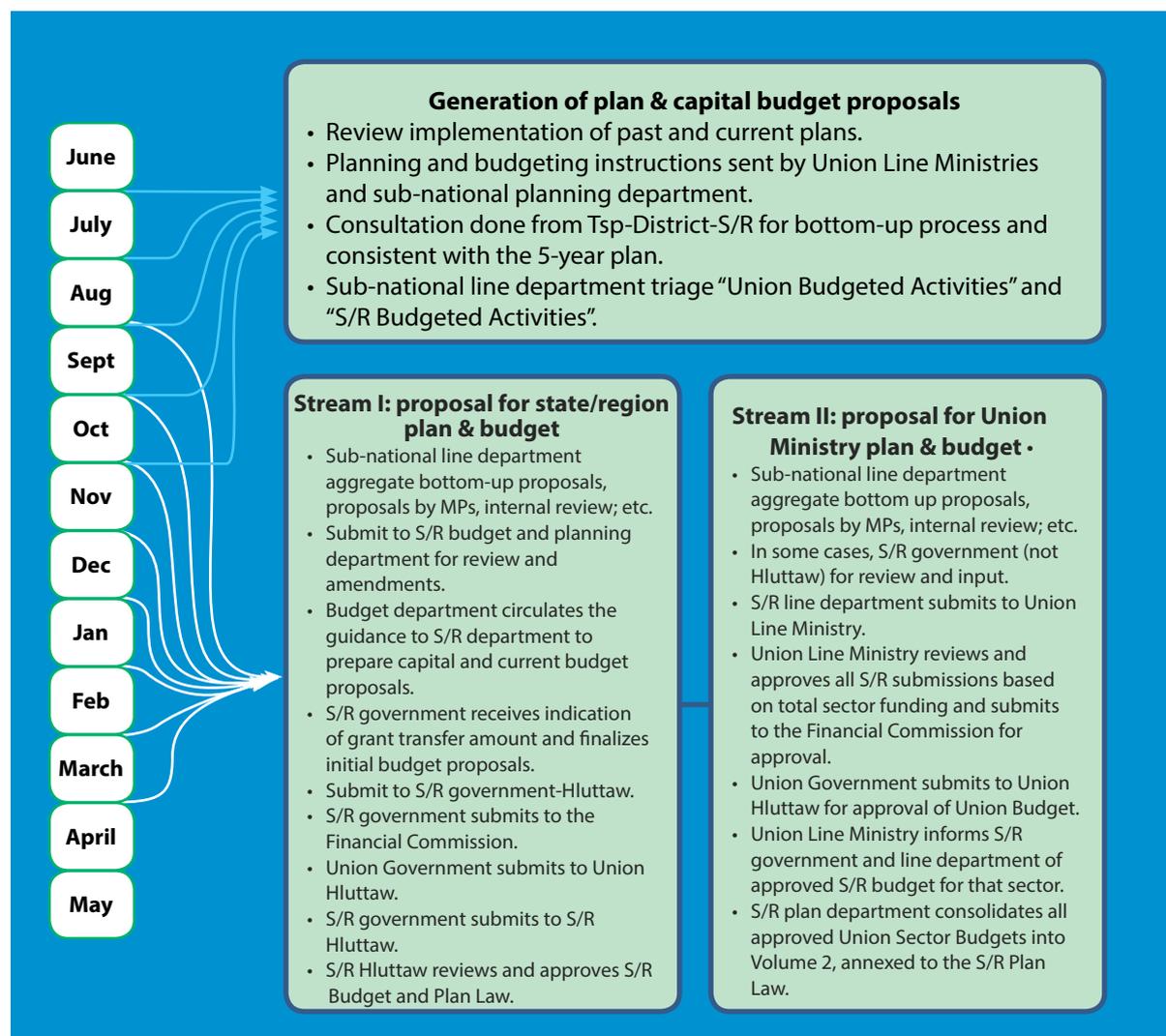
To date, there are 17 “joint teams,” comprising members of both houses, that review and assess the draft budget of two or three ministries each. Each team examines expenditure proposals of their assigned ministries and submits its report to the Joint Public Accounts Committee and the Joint Bill Committee, each composed of fifteen members from the Pyithu and Amyotha Hluttaws. JPAC examines and reviews the budget proposal from a financial perspective, and the Joint Bill Committee does so from a legal perspective. The Joint Bill Committee provides inputs to JPAC and the parliament. JPAC is the most important committee in the budget process. Its role is to examine the fiscal projections and determine whether the expenditure proposals align with government priorities, and integrate any changes it may require into the draft budget initially prepared by the Union Finance Commission.

JPAC is the last stage of review before the final draft budget bill is tabled in the Hluttaw. JPAC may call experts, tax specialists, ministers, etc. and seek their technical inputs to better understand, clarify, and verify the assumptions and accuracy of revenue and expenditure estimates. MoPF provides the necessary technical support to JPAC. JPAC submits a report of its findings and recommendations to parliament. It can suggest cuts to individual ministry budgets, but not the specific items to be cut. Once the findings are incorporated, the parliament votes, and the president ratifies the Budget Law.

²¹ Constitution of Myanmar (2008), Section 230

State and region planning and budgeting procedures

In June–July, the state/region planning departments and the line ministries ask township and district offices to formulate proposals for the plan budget for the next fiscal year in line with the five-year plan. Proposals for state/region funding are reviewed by the plan formulation and implementation committees, and the proposals for Union funding are forwarded directly to the state/region line departments. These proposals are then consolidated by the line departments at the state/region level. Following is a pictorial representation of the state and region annual plan and budget process, along with the timelines. The details of this process have recently been documented in a separate report.²²



MoPF prescribes the budget framework—setting the proportions of capital and recurrent expenditures, and announcing the ceiling on funds available for fiscal transfers to states and regions, allocations available to line ministries, etc.—and requests state and region governments and line departments to submit their budget proposals. Guidelines call for MoPF to convey this ceiling to the departments in September. In one region visited for this research in October and November 2016, the regional government had called for budget proposals from the departments without informing them of the budget ceiling. Apparently the MoPF had yet to provide this information to the states/regions, and the state/region budget and line departments, not knowing the grant-transfer allocations they would receive in FY 2017–2018, were

22 Shotton et al., *State and Region Financing*.

preparing their budgets for the next fiscal year based on past expenditures.

State/region governments were unclear about the resource envelope they could expect to work with for the next five years. This information is critical to do medium-term planning and provide clarity on expenditure requirements.

At the subnational level, about 49 percent of expenditures in the three states/regions surveyed in FY 2016–2017 are spent by the Public Works Department, which is responsible for building and maintaining infrastructure such as roads and bridges.²³ Since FY 2012–2013, however, capital spending as a share of GDP has consistently declined. Most recently, these cuts have reflected fiscal constraints.²⁴ This decline in infrastructure spending, despite the country's significant infrastructure deficit, is a concern. These fiscal constraints, along with salaries and wages that have doubled since 2015, further restrict the resources available for social-sector investment as it was envisioned in the government's Framework for Economic and Social Reforms (2012–2015).

State/region ministries and departments, state owned enterprises and state administrative organizations submit their budget proposals to their respective departments. The ministries and departments use an incremental approach to prepare the budget. In the case of current expenditures,²⁵ the ministries are required to submit detailed statements to justify any request for allocations. With respect to capital budgets, the ministries submit their proposals to their state/region planning departments. Once these proposals are approved and agreed upon, they are forwarded to the state/region budget department, which develops a consolidated proposal. This is examined by the finance and planning minister and submitted to the state/region parliament for review and approval. It is then forwarded to the Union Budget Department of the MoPF for appraisal, then passed along, with appraisal notes, to the vice president. The vice president submits it to the Finance Commission. Funding requirements of the states and regions are then incorporated into the Union budget, which is submitted to the Union Hluttaw for discussion and final approval by the president. The Bill on States/Regions Budget is then submitted to the state/region parliament for approval and finally, it is approved by the state/region chief minister.

The process for requesting supplementary allocations during the fiscal year is similar, and results in the annual Supplementary Budget Law, in December. Normally, supplementary budgets may add no more than 7–8 percent to the underlying budget. A point to note is that, at the time of this research, state and region budgets were not in the public domain. Officials indicated, however, that a department can, on request, make the budget available with the approval of the appropriate authority.

23 Shotton et al., *State and Region Financing*.

24 Habib Nasser Rab et al., *Myanmar Economic Monitor, December 2016: Anchoring Economic Expectations* (Washington, D.C.: World Bank Group, 2016), <http://documents.worldbank.org/curated/en/271301485510327677/Myanmar-economic-monitor-anchoring-economic-expectations>.

25 Current expenditure is expenditure on goods and services to be made within the current year, such as wages, salaries, fuel costs, facilities maintenance, etc.

Box 8 outlines the timetable for the state/region budget process, as detailed in the Citizen’s Budget.

Box 8: Budget process timetable for states and regions²⁶

	Period	Process
1	Second week of September	MoPF sets the framework for the supplementary budget and calls for budget proposals from the state/region governments.
2	Second week of November	The state/region budget proposals are sent to MoPF after approval by state/region parliaments.
3	Third week of November	Preliminary appraisal of state/region budget proposals by MoPF.
4	Fourth week of November	Proposals submitted to vice president with appraisal notes.
5	Second week of December	Once confirmed by vice president 2, proposals for additional funds to be provided by the Union government are submitted to the Union Financial Commission.
6	After the Union budget is confirmed by the Union parliament	When the Union budget is confirmed by the Union parliament, the state/region governments submit the Bill on States/Regions Budget to state/region parliaments through the minister for planning and finance.
7	After the state/region budget is approved by the state/region parliament	State/region government budget is signed by the chief minister.

Township planning and budgeting procedures

There has been some movement towards bottom-up planning, and township plan formulation and implementation committees (TPFICs) have been formed and are preparing development plans. A townships consist of a group of village tracts and is headed by a township administrator, assisted by a deputy township administrator and a township clerk, who is responsible for the preparation of the budget. The typical budget includes operating costs and projected tax receipts. These township budgets are transmitted to the district administrator, who is responsible for consolidating them and submitting the result to the budget department of the respective state. The funds are controlled by the departments to which they are assigned; hence, the township administrators have practically no control over the use of project funds. The primary responsibility of the TPFIC is to gather data that is then transmitted to the state and national level.

The townships each have a township plan, but how much it guides budgeting is not clear. Township staff are better equipped to provide information on existing facilities than to make projections about future services. This restricts perspective planning.²⁷ The inclusion of a project in the township plan is no guarantee of funding, which complicates the process of setting priorities. Realistic budgeting is

²⁶ Citizen’s Budget 2016–17.

²⁷ *Perspective planning* refers to long-range planning that sets targets 15, 20, or 25 years ahead. A perspective plan, however, is not necessarily a single plan for an entire period of 15 or 20 years.

further hampered by lack of coordination with the ministries, and with DRD, which creates and maintains assets such as roads and bridges, manages water and electricity supplies, and runs some model housing projects. Unless data is shared between agencies, allocations may not become more realistic. In some state/region governments, such as in Ayeyarwady, the government holds coordination meetings with NGOs to discuss development issues.

Budget execution and monitoring

Once the funds are approved, they are disbursed to the Union ministries and departments and other organizations by the MoPF via the Myanmar Economic Bank (MEB). At the state/region level, the approved funds from the Union government are first transferred to the state/region budget departments before being distributed in phases to the spending units through the MEB. Every government entity is issued quarterly expenditure ceilings. Only under exceptional circumstance, with the prior approval of MoPF, may these entities draw funds in excess of these ceilings. Internal controls and checks and balances are in place to avoid misuse and overdrafts of funds. The OAG, however, has noted instances of (a) overspending without budget reallocation, (b) misuse and reported fraud in which cash was to be repaid into government accounts, and (c) advances paid to contractors without approval. These instances point to weaknesses in the existing internal control systems and the nascent internal audit mechanism. Internal audits have been established recently by MoPF. Plan and budget officials in the regions visited were aware of the internal audit units, but were not clear on the responsibilities and duties of the internal auditors or the existence of any internal audit report.

Spending is supervised through monthly expenditure statements submitted by the ministries to the state/region government and to the chief minister. The Budget Department also calls for in-year and mid-year reports to review the pace of expenditure against the budgetary allocations from the ministries at the Union level. This monitoring is limited to preventing over-spending by the departments and checking that expenditures are booked to the right accounts. Any savings by the budgeting entities during the course of the year must be surrendered, and at the end of the year are transferred to the General Reserve Fund. There have been several cases of savings and surrenders in the last couple of years. These are partly attributable to the “insufficient implementing capacity” of the departments, which has not kept pace with increased funding in sectors such as health and education. This information is difficult to confirm in the absence of disaggregated data in the public domain. However, the savings and surrenders could also be partly due to the budget not reflecting the true priorities and requirements at the operational level, and to inefficient budgeting practices. The departments have very little room, if any, for transferring or reappropriating funds to any other units other than as authorized in the budget. Some limited reappropriation authority rests with the MoPF at the Union level. There is no evidence of any systematic performance review of any program or activity undertaken by the line ministries, the MoPF, the state and region governments, or the OAG.

The MoPF provides a broad framework of financial rules. The President’s Office Directive No. 1/2013, Tender Rules in Allowing to Conduct Investment Activities and Economic Activities, published on April 5, 2013, contains limited guidance on reviewing and approving requirements for public procurement activities. Each ministry has developed its own set of procurement and financial rules. There is room for the MoPF to develop consolidated guidelines, as the approval process at the operational level is unclear. The delays in the procurement process caused by seeking approvals and clarifications lead to (1) inefficient budget

management, such as the surrender of savings, and (2) reliance on supplementary appropriations, which affects the timely completion of projects. This practice could also be one of the reasons for using “no-name taxes”²⁸ and voluntary contributions to complete projects. This raises accountability issues and hampers the monitoring of projects by parliament and the public.

The government’s Framework for Economic and Social Reforms, and the Nay Pyi Taw Accord on Effective Development Cooperation, provide for public participation through inclusive policy dialogue, inclusion in the political process, and steps to promote accountability. This presupposes that the public is aware and well informed about policy decisions. The two main impediments to public participation in the budgeting process are lack of awareness of budget procedures and an absence of formal mechanisms or channels for local public engagement. The Citizen’s Budget for FY 2016–2017 is a first step by the government to provide some basic information to increase public awareness and improve budget literacy.

At the state/region government level, interviews with the government and with members of CSOs suggest that over the past two to three years, subnational government officials have become more consultative. There are cases in which CSOs and state/region MPs are actively involved in submitting their budget proposals to the respective departments, although it is not certain how these proposals are incorporated and prioritized, since allocations are always less than requested. One interviewee suggested that MPs know what people want, and hence, they should be involved in the budget process. In one region visited, it was also learned that in the past, department directors were invited to attend PFIC meetings to offer their suggestions and recommendations. As of May 2016, the role of the PFICs has been restated, and they are now required to submit their proposals to the state/region planning commissions, placing them in a subordinate position. How the role of PFICs pans out in the future remains to be seen.

At the township level, the township plan formulation and implementation committees are expected to play an important role in formulating plans and monitoring the usage of funds. Most states and regions have mechanisms to review the budget before the parliament approves it. In Ayeyarwady, the budget review is carried out with the involvement of the Public Finance, Planning and Business, and Trading Development Committee. This committee was seen playing a proactive role and acting as an interface between MPs on one hand and the line department on the other. Individual MPs at their own expense undertake field visits to “inspect” projects and submit their findings to the state/region hluttaw. This practice is questionable, as it can also lead to rent seeking unless systematically monitored. Once this practice is developed and institutionalized, with checks and balances in place, it can then be shared with other regions. For its part, the government seems to be keen to build the capacity of the parliamentarians, as it has provided training to some MPs, including the chief minister, the speaker of the hluttaw, and other ministers.

Some CSOs and NGOs over the past few years have actively engaged in budget advocacy, particularly in the development of community plans, and are active in engaging with people to demonstrate the development agenda. MPs have also expressed an interest helping to develop the plans. As of now, however, it is not clear how far their plans are reflected in the actual budgets of the state/region governments.

28 “The term ‘no name taxes’ was often used for revenue collected late in the fiscal year to cover expenses that could not otherwise be paid by the approved budget, but this term was also at times used for voluntary contributions.” Giles Dickenson-Jones, Lauren Dunn, Cindy Joelene, S Kanay De, and Mai Betty, *Intergovernmental Fiscal Relations in Myanmar, Current Processes and Future Priorities in Public Financial Management Reform* (CESD and JICA, 2016), 41, note 27, <https://mdricesd.files.wordpress.com/2016/09/fiscal-relations-aug2016.pdf>.

Recognizing the need for transparency, the government in FY 2015–2016 released its first Citizen’s Budget. With the publication of the Citizen’s Budget 2016–2017 the following year, the government demonstrated its willingness to continue to provide some basic information to the public, and to increase awareness and improve budget literacy as a first step. The Citizen’s Budget explains the concepts of revenue, expenditure, and budget, and defines terms such as *budgetary expenditure*, *supplementary grant*, and *revised estimate*. It lists the roles of ministries and organizations in the budget cycle, the composition of the Financial Commission, macroeconomic indicators for the MTF, and the macroeconomic indicators for determining transfers to state and region governments. The Citizen’s Budget also gives the timetable for the Union-level budget process, including the budget estimates for 2016–17 for state and region governments and Union organizations and ministries. However, the revenue and expenditure estimates are at an aggregate level and not department-wise, account head-wise or program wise. Since FY 2015–2016, the government has used a simple formula based on six indicators to transfer funds to state and region governments, but there appears to be little understanding of this formula among the states and regions.²⁹ In the interest of transparency, and to avoid any perception of favoritism by the Union government, the methodology for determining the total fiscal pool, the formula used for intergovernmental transfers, and the criteria that determine each state or region’s share must be widely, publicly available.

REVIEW BY INTERNAL AUDIT

The Institute of Internal Auditors (IIA) provides the following definitions in its *International Professional Practices Framework*:³⁰

Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The key elements of this definition are:

1. independent and objective
2. assurance and consulting activity
3. add value and improve...operations
4. systematic disciplined approach
5. evaluate...risk management, control, and governance processes

²⁹ Shotton et al., *State and Region Financing*.

³⁰ “The IPPF: The Framework for Internal Audit Effectiveness,” Institute of Internal Auditors website, accessed June 30, 2017, <https://na.theiia.org/standards-guidance/Pages/Standards-and-Guidance-IPPF.aspx>.

Assurance Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.³¹

Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, [and which] are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.³²

While, as a matter of principle, an internal auditor should not be involved in any management functions, an auditor's services could be used in the following ways:

- Participating in committees in an advisory (non-decision-making) capacity
- Providing advice on internal controls
- Providing training

The IIA Code of Ethics specifically prescribes that internal auditors possess thorough knowledge of the audit process and the objectives of the audit³³. They should be competent to identify the information needed for the audit, and should be continually improving their proficiency in audit procedures and techniques by acquiring additional knowledge and skills. Internal auditors should not only be independent, but also *appear* to be independent of the department being audited. To ensure independence, the internal auditor should report directly to the audit committee appointed by the government, the principal secretary of the Finance Department, or the chief secretary. Most importantly, internal auditors should not be involved in regular departmental duties.

In Myanmar, officials have been assigned responsibility for internal audits in addition to their primary responsibility. For example, in the Budget Department of MoPF, officials responsible for preparing the budget have also been assigned to perform internal audits of the Budget Department. This is contrary to the practice prescribed by IIA. Limited number of staff engaged in internal audits could only be trained by the OAG, as all of them could not be spared from their budget work. Thus, the internal audit function is understaffed, and internal auditing takes a backseat to the auditors' primary responsibilities. Moreover, the department has no internal audit manual to guide them in this task.

In the Ministry of Education, again, officials of the Internal Finance Division were found to be performing internal audits in addition to their primary responsibilities. A point worth considering is that the staff responsible for internal auditing in the Ministry of Education are also part of the Procurement Committee responsible for all stages of the procurement process, such as calling for tenders and finalizing the contracts. This is both a conflict of interest and at variance with the code of ethics and the principle that internal auditors should not be involved in any management functions.

31 Ibid.

32 Ibid.

33 Code of Ethics," Institute of Internal Auditors website, accessed June 30, 2017, <https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Code-of-Ethics.aspx>.

In Myanmar, neither are internal audits mandated by law, nor is there a charter establishing an audit authority and its responsibility. This is contrary to the Internal Audit Standards, which prescribe, “The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit...”³⁴

While the primary responsibility for administering effective controls lies with management, an internal auditor provides assurance of the effectiveness of controls. Internal controls extend beyond financial controls and encompass all the functions needed to achieve the objectives of the organization. For example, the objective of a student loan program is to provide loans to students who cannot afford tuition. An internal auditor, besides checking the accounting and budget controls, would also verify the documentation of loan recipients to confirm that loans are being given to the intended class of beneficiaries, and only to them. The purpose of codes of good practice, government orders, manuals, and guidelines is to safeguard operations from fraud, errors, and irregularities, and to ensure sound accounting and financial reporting. Thus, an auditor must understand these controls. After gaining an understanding of an organization’s operations, the auditor identifies key controls on those operations. The internal audit department examines and evaluates compliance with the controls, as specified in the various codes, manuals, government orders, and circulars, to ascertain their effectiveness in furthering the objectives of the government. The scope of internal audits in Myanmar is limited to financial audits and some compliance audits, whereas a modern internal audit is much broader and assesses whether governance, risk management, and control processes are in place.

In order to be effective, an internal audit must be conducted by trained and competent staff and supervisors. It must have a clear mandate and proper reporting channels to ensure its independence. Most importantly, the effectiveness of an internal audit depends on the importance that the organization attaches to its reports, which will be reflected in its actions. As of now, internal auditing in Myanmar cannot reasonably assure that:

- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Resources are acquired economically and used efficiently;
- Assets are safeguarded;
- Actions of the organization are in compliance with policies, procedures, contracts, and applicable laws and regulations; and
- Significant programs, plans, and business objectives will be achieved.

OVERSIGHT BY THE SUPREME AUDIT INSTITUTION

The OAG is the supreme audit institution of Myanmar. Its powers and responsibilities are prescribed in the Auditor General of the Union Law (2010), and the Law Amending the Auditor General of the Union Law (2013, 2014).³⁵ The OAG’s mandate includes responsibility for auditing key public-interest entities, the state economic enterprises (SEEs), the state-owned insurance company, and the state-owned banks. The OAG is not mandated to conduct any audit of the Ministry of Defense. All expenditures, both capital and current (except defense) are auditable by the OAG.

³⁴ “Attribute Standards: Purpose, Authority, and Responsibility,” Institute of Internal Auditors website, accessed June 30, 2017, <https://na.theiia.org/standards-guidance/attribute-standards/Pages/Attribute-Standards.aspx>.

³⁵ Preamble, Auditor General of the Union Law (10/28/2010).

The Union auditor general (Article 242) and deputy auditor general are appointed with the approval of the Pyingdaungdaw Hluttaw, and of the president (Article 244). The 14 state/region auditor generals are appointed by the respective chief ministers with the approval of the president and the regional parliament. They are responsible to the Union auditor general and the chief minister. In general, OAG as an institution is well known in the public sector and is recognized and respected by the organizations it audits.

OAG is well staffed at both the Union and the state/region levels, although department officials pointed out that they will need additional staff if they have to undertake performance audits in the future.³⁶ It remains to be explored, however, whether the need is for additional staff or more modern practices and systems. The OAG is led by the auditor general, and the staff are well trained to conduct financial audits. Officers of the OAG are recruited through the Union Civil Service Board, and lower-level positions are filled following prescribed procedures. The budget for the OAG is approved in the same way as other government ministries, following scrutiny by the MoPF.

OAG has a sound working relationship with the Hluttaw, and has established procedures for reporting to the Public Accounts Committee (PAC).³⁷ During the USDP-led government, it appears that audit reports and findings were actively discussed in the PAC. How the next PAC, the NLD-led government's first, will perform remains to be seen, especially since a majority in parliament are first-time MPs. The AG is a member of the Financial Commission too, and attends meetings and comments on reports. This arrangement is a departure from the best practice of having the supreme audit institution as a neutral government entity in faithfully exercising its oversight role. The Financial Commission is an executive agency, and having AG as member gives the appearance of a conflict of interest, in contravention of IIA standards.

The OAG is accountable to the president and the Hluttaw, and reports regularly on the performance of the Union auditor general as well as on its audit findings.

The OAG plays a leading role on the Myanmar Accountancy Council (MAC), a body constituted by law with four ordinary citizens and up to ten professional accountants. The objective of the council is to create a pool of "qualified accountants to contribute towards the economic development of the state" and the "development of accounting principles and practices in government departments and organizations."³⁸

The auditor general serves as the chairman of the MAC and is responsible for establishing accounting and auditing policy for the public sector—a role filled in most countries by the Ministry of Finance. At present, the OAG conducts financial audits³⁹ and compliance audits "if necessary."⁴⁰ Its capacity to conduct performance audits is limited. Its approach is somewhat "risk based," and the selection of audits is based on the materiality concepts, complexity of processes and past experience. It has an annual audit cycle with 100 percent audit undertaken for some small organizations especially at the township level. Audits are conducted in accordance with the departments own Generally Accepted Audit Standards. The OAG

36 A performance audit assesses technical and managerial aspects of spending, to measure the value-for-money in public spending, by examining three factors:

- Economy: can the program be run at less expense?
- Efficiency: can relationships between inputs and outputs be improved?

Effectiveness: is the spending authority delivering its intended results?

37 There are three PACs, one for each house of the Hluttaw and a combined PAC.

38 Myanmar Accountancy Law, 2015.

39 In a financial or "attestation" audit, the auditor attests to, or verifies, the accuracy and fairness of financial statements.

40 In a compliance audit, the auditor checks whether certain conditions have been satisfied. Were expenditures authorized by the competent authority? Were expenditures authorized by the appropriations law and spent according to the law? Do expenditures conform to the procedures of public finance and related laws?

is moving towards adopting the International Standards of Supreme Audit Institutions, a benchmark for auditing public entities developed by the International Organization of Supreme Audit Institutions, an umbrella organization for the external government audit community. The OAG in FY 2014–2015 prepared three audit reports: the Budget Appropriation Report, the Constituency Development Fund Report, and an Audit Objection Report that combines all audit findings of all the entities audited. The report for FY 2015–2016 on the audit of financial statements is yet to be finalized, and department officials did not know its exact title or contents.

The OAG does not perform revenue audits,⁴¹ but it does examine what appears in the financial statements. Audit reports are submitted to the president and the parliament simultaneously at the Union level. The state and region audit reports are submitted to the state/region hluttaws. The audit reports are not shared with the public. The only report that has been made publicly available is the summary findings of the JPAC following its consideration of reports from the last government's OAG.

Line departments are required to convey their observations and recommendations to the OAG within 30 days of receiving the audit report from the OAG. It was reported that these observations and recommendations are stored in hard copy rather than a computerized database, limiting their usefulness.

There are some limits to the OAG's independence, when measured against international standards such as the *2007 Mexico Declaration on SAI Independence*. There are a number of measures that would improve the OAG's independence:

- Provide security of tenure. Under Article 245 of the Constitution, the terms in office of the auditor general and the deputy auditor general are the same as the president's. Current legislation also allows the president to require the resignation of an auditor general or deputy auditor general who cannot discharge his duties efficiently. To enable auditors to fearlessly discharge their duties, it is essential that the auditor general and deputy auditor general have security of tenure and legal protections against their removal.
- Reduce the government's control over the OAG's budget.
- Develop a mechanism for the OAG to independently publish its own reports.

To make audits more efficient and provide effective follow-up, auditors should be trained in performance audits, and the department should increase its investment in modern information technology.

41 Revenue consists of all kinds of government receipts, such as taxes, duties, fees, levies, interest, dividends, and income from the sale of assets, investments, and the leasing of government property. It is the responsibility of revenue authorities to see that all revenue is correctly assessed, collected, and deposited to the government treasury, and it is the main objective of revenue auditors to make sure this has been done. The *Lima Declaration of Guidelines on Auditing Precepts* (1977) states that supreme audit institutions shall be empowered both to audit the collection of taxes to the maximum possible extent and to examine individual tax files. The International Organization of Supreme Audit Institutions has developed international standards for supreme audit institutions. These standards deal with financial, compliance, and performance audits. See Ramu Prasad Dotel, "Using audit procedures in revenue audit," *International Journal of Government Auditing*, January 2015, http://www.intosaijournal.org/highlights/using_audit_procedures_in_revenue_audit_jan2015.html.

KEY FINDINGS

The budget process in Myanmar is largely guided by prior practice, and the spending authorities take an incremental approach in preparing budgets. The budget does not provide a holistic view of projects to be undertaken, at what cost, with what resources, equipment, and personnel, and with what objectives. Budgeting for investment and recurrent expenditures are two separate processes, providing no certainty that investments will be well resourced in subsequent years. This may be due to the fact that complete estimates of future costs are not required for major policies and projects. The *Myanmar Economic Monitor*⁴² reports that 30 of 39 large projects (above 2 billion kyat in value) are currently stalled.⁴³ The slow progress of these projects can be attributed to lack of strategic project selection, underestimating the cost of completion and the time required, incomplete project design, lack of appraisal mechanisms, lack of multiyear capital budget allocation, and delays in procurement.

There appears to be a disconnect in the planning process. The Planning Department uses calculations based on GDP to prepare five-year plans, from which annual plans are derived, but the MoPF uses the three-year projections, based on six indicators, of the MTFP to allocate resources. Moreover, it is also not clear how or if plans can be modified should GDP estimates be revised downwards, as often happens. Projected GDP growth for FY 2015–2016 was 7.8 percent, for example, while actual growth was just 5.7 percent.⁴⁴

Spending programs are not comprehensively reviewed or evaluated, in a manner that is routine and objective, to guide resource allocation within line ministries and across government as a whole. Due to the limited capacity of the audit staff, evidence-based evaluations of program outcomes have not been conducted. The formal roles of the Union and the state/region legislatures, and of their specialized public accounts and budget committees, are limited in practice by the very short time allotted for their work and by capacity constraints. At the state/region level, they appear to play only a marginal role in the budget process, and almost none at all in the “deconcentrated” budget process.⁴⁵ Although JPAC, the most significant of all the parliamentary committees, has played an important role in the past by examining the audit reports prepared by the Union auditor general, it appears that its members may lack the technical expertise to analyze budget proposals, forecast revenues and expenditures, and examine audit reports. This, coupled with limited access to meaningful information, inadequate public awareness, and limited involvement of citizens and CSOs in the budget process, leaves significant room for improving monitoring and enhancing oversight.

A comparison of existing practice in Myanmar with recommendations of the Council on Budgetary Governance indicates that there are significant gaps in the way budgets are prepared, monitored, and executed in Myanmar.⁴⁶ The participation of stakeholders is limited due to inadequate capacity on the ground; lack of awareness, and access to, meaningful information; and inadequate formal and institutional mechanisms.

According to the Council on Budgetary Governance,⁴⁷ not only should budgets be closely aligned to

42 Rab et al., *Myanmar Economic Monitor*.

43 Stalled projects are defined as those that have been under implementation for at least eight years and have disbursed more than 80% of total original cost.

44 As indicated during the course of consultation with officials of the Planning Department.

45 Deconcentrated expenditures: Expenditures undertaken within the states/regions but financed from the Union ministry budget and with Union revenues.

46 Organization for Economic Cooperation and Development (OECD), *Recommendation of the Council on Budgetary Governance*, 18 February 2015 (OECD, 2015), <https://www.oecd.org/gov/budgeting/Recommendation-of-the-Council-on-Budgetary-Governance.pdf>.

47 Ibid.

the strategic priorities of the government, but budget documents should be open, transparent, and accessible, and provide for an inclusive, participatory, and realistic debate on budgetary choices.

Box 9: The ten principles of good budgetary governance at a glance⁴⁸

1. Manage budgets within clear, credible, and predictable limits for fiscal policy.
2. Closely align budgets with the medium-term strategic priorities of government.
3. Design the capital budgeting framework in order to meet national development needs in a cost-effective and coherent manner.
4. Ensure that budget documents and data are open, transparent, and accessible.
5. Provide for an inclusive, participative [sic], and realistic debate on budgetary choices.
6. Present a comprehensive, accurate, and reliable account of the public finances.
7. Actively plan, manage, and monitor budget execution.
8. Ensure that performance, evaluation, and value for money are integral to the budget process.
9. Identify, assess, and manage prudently longer-term sustainability and other fiscal risks.
10. Promote the integrity and quality of budgetary forecasts, fiscal plans, and budgetary implementation through rigorous quality assurance, including independent audit.

Comprehensiveness and transparency

There are currently a number of limitations in the classification of budget information, types of information that are missing from budget documents themselves, and many unreported government operations, which together mean that budgetary and fiscal information is limited. Extra budgetary accounts of ministries, departments, and SEEs, and the operations of off-budget military holdings, referred to as “other accounts,” are not part of the Union budget, and there is little oversight or reporting of these accounts. The backbone of fiscal accounts is the budget classification system. Myanmar’s system does provide classification by administrative categories, such as ministries and departments and SEEs; geographic categories, such as states and regions; broad functional categories; and broad economic categories. Unfortunately, the functional categories are not fully compliant with the United Nations Classification of the Functions of Government standards and economic categories are not fully consistent with the Government Financial Statistics standard.⁴⁹ The existing budget classification system does not fully comply with three key principles of sound budget management:⁵⁰ comprehensiveness, unity, and

⁴⁸ Ibid., 3.

⁴⁹ World Bank. *Republic of the Union of Myanmar—Public Financial Management and Performance Report*. Washington, D.C.: World Bank, 2013. <http://documents.worldbank.org/curated/en/544031468059720456/Full-report>

⁵⁰ Davina Jacobs, Jean-Luc Héris, and Dominique Bouley, *Budget Classification*, (International Monetary Fund, 2009), <https://www.imf.org/external/pubs/ft/tmm/2009/tmm0906.pdf>. The principle of *comprehensiveness* requires that the budget cover all government entities and institutions undertaking government operations, and present a consolidated and complete view of these operations. The principle of *unity* requires that the budget include all revenues and expenditures of all government entities undertaking government operations. This principle is important to ensure that the budget is effective in constraining total and sectoral government expenditure, and in promoting greater efficiency in the allocation of resources. The principle of *internal consistency* between different components of the budget requires, in particular, that the current expenditure needed for the operations and maintenance of past investment projects be fully reflected in the budget. Moreover, this principle implies that there should be a unitary budget system in which responsibilities for preparing and executing the budgets for current and capital (or development) spending are consolidated within a single central fiscal agency, usually the ministry of finance.

internal consistency.⁵¹ The formal presentation of the budget as contained in the Union Budget Law provides a limited amount of information, as it does not include the off-budget “other accounts” used by Union ministries for their retained revenues collected by states and regions, or economic enterprises owned or controlled by state/region governments. Budget documents also do not capture allocations to, and earnings from, military-owned enterprises that fall under the Ministry of Defense. The in-year reports and the end-of-year financial statements produced by the MoPF ensure discipline for timely preparation, consolidation, and reconciliation of accounts, but they do not form a basis for any active financial management, as they provide limited information, and both their form and distribution are difficult to interpret and contribute little to fiscal transparency. There has been progress in the last few years in making the Union Budget Law publicly available, although the information shared with the public is still limited to the budget summary for each ministry. As of now, critical budget reports such as the pre-budget statement, the executive budget proposal, and budget execution reports such as in-year reports, midyear reviews, and year-end reports, which ensure effective formulation, monitoring, and implementation of the budget, are not made available to the public by the government (see Box 10). Revised budget estimates are also not made available to the public. However, the Annual Plan Progress Report, which lists capital projects and expenditures incurred for the year, is published by the Ministry of Information and is available to the public for a fee. In the last few years, members of parliament have been using social media to share some information on budget estimates and revised estimates with the public. The televising of Hluttaw proceedings may also help create awareness and generate some public debate.

Box 10: An explanation of budget reports⁵²

Pre-budget statement: explains the government’s perspective on how fiscal policy will relate to the broader economy and how budget priorities will be shaped in the coming years. It sets out the government’s budget priorities and policies. This statement is put out by the government to enable feedback from the cabinet, the legislature, civil society, and the public at large to help formulate a representative and effective annual budget.

Executive’s budget proposal: an important policy document that translates key policy goals into action. The executive’s budget proposal must be transparent, because it determines:

Revenues: How much citizens pay in taxes.

Expenditures: How government resources are distributed among citizens.

Debt: How much of the cost of government is borne by current or future generations.

It is essential that the government provide a full explanation of its taxation, borrowing, and spending plans before the executive’s budget proposal is enacted, to allow for informed public debate and legislative deliberation, as these decisions are made on behalf of the public, which deserves to know how its money is collected and spent.

51 World Bank. *Republic of the Union of Myanmar—Public Financial Management and Performance Report*. Washington, D.C.: World Bank, 2013. <http://documents.worldbank.org/curated/en/544031468059720456/Full-report>

52 Vivek Ramkumar and Isaac Shapiro, eds., *Guide to Transparency in Government Budget Reports: Why are Budget reports Important and What Should They Include?* (International Budget Partnership, 2010), <http://www.internationalbudget.org/publications/guide-to-transparency-in-government-budget-reports-why-are-budget-reports-important-and-what-should-they-include/>.

In-year reports: snapshots of the budget’s implementation during the budget year. The primary objective of the in-year reports is to provide a periodic measure of the trends in revenues and expenditures to date, ideally with some explanation of any significant deviations from expectations. In-year reports make an important contribution to budget transparency, as they require the government to develop the systems and expertise necessary to track aggregate budget spending and revenue trends. Tracking trends in spending and revenues can alert policymakers, the press, and the public if budget plans are going astray. Similarly, the need to develop and operate dependable systems and train staff to provide the data contained in in-year reports can promote the availability and accuracy of this data, not just for the in-year reports, but for all budget reports.

Midyear review: a comprehensive report, midway through the fiscal year, assessing the government’s fiscal performance against the strategy established in the original budget.

Year-end report: the government’s discussion of the budget as executed compared to the budget as originally conceived, and any supplementary budget that may have been issued during the course of the year. It covers what was actually spent and collected, as distinguished from what was budgeted. In a few countries, this report may also include a discussion of the government’s performance in meeting the physical output targets set in the original budget.

Budget transparency

Budget transparency is the foundation of government accountability and public trust in government. According to a December 2016 update of the International Budget Partnership’s Open Budget Survey, which periodically assesses budget transparency, the government of Myanmar makes just two of the eight standard budget documents available to the public in a timely manner consistent with international standards—the enacted budget, and the year-end report (Box 10).⁵³ (It should be noted, however, that this represents an improvement over the previous year.)

Box 11: April 2016 update by the Open Budget Survey.

Statements	Open Budget Survey 2015	December 2016 update
Pre-budget statement	For internal use only	Published late
Executive’s budget proposal	For internal use only	Published late
Enacted budget	<i>Available to the public</i>	<i>Available to the public</i>
Citizen’s budget	Not produced	Published late
In-year reports	For internal use only	Published late
Midyear review	For internal use only	Not produced
Year-end report	For internal use only	<i>Available to the public</i>
Audit report	For internal use only	For internal use only

The significant level of unreported government operations affects budget comprehensiveness and transparency, and Myanmar’s Union Budget Law provides only a limited picture of Union government revenue, expenditure, and financing, leaving a large measure of extra budgetary expenditure unreported. Inadequate meaningful information in the public domain hampers public discussion of how

⁵³ “Myanmar: Open Budget Survey, December 2016 update,” International Budget Partnership website, accessed July 19, 2017, <http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/country-info/?country=mm>.

the government allocates and deploys the public's resources, and what is being bought on the public's behalf. For civil society to influence public policy in such areas as poverty alleviation, health, education, gender equity, or the environment, there must be public access to information on what the government intends to spend, and how it intends to finance this spending.

Predictability and control in budget execution

There is a reasonable degree of control and predictability in the budget's assignment of resources to the spending bodies. Quarterly limits are set for current spending and are not applicable to capital expenditure. These limits are communicated by the MoPF to the MEB, which acts as the government's banker. Any unspent funds at the end of the year are transferred to the General Reserve Fund, or the General Reserve Fund for the state/region governments, as the case may be.

Payment processes are relatively uncomplicated. There is a system of checks and balances in place, and payments are made efficiently through the MEB branch network with a minimum of delay and without centralized vetting by MoPF. Transactions involving foreign currency are more constrained due to exchange-rate fluctuations and a separate procedure for approvals and authorizations.⁵⁴ Procurement processes are relatively complex and differ among different departments/entities. The resulting need for clarifications and approvals can cause delays in project implementation, surrender of funds and savings at the end of the year, and inefficient budget management.

The budget is implemented with an emphasis on controlled processing of transactions and avoiding overspending, rather than on accountability for the effective use of resources. This lack of linkage between plans and budgets means that expected results are not clearly defined.

Monitoring and oversight: Feedback from the departments to the MoPF addresses only the expenditure of budgetary allocations. It does not appear that the PAPRD has prepared any appraisal reports, or if it has, that they been considered in the budget preparation process or in monitoring the budget. At the local level, the use of "voluntary" community contributions and "no-name taxes" to supplement budgetary allocations and complete projects may indicate unrealistic planning and budgeting. The funds and time a project will require may be underestimated, and failure to understand the procurement process may delay implementation, resulting in the lapse of funds at the end of the budget cycle and insufficient allocations in the next financial year.

In addition, community contributions are not recorded, as they do not fall into any account or budget category, and thus they are beyond any formal oversight from, for example, the MoPF or the OAG. This arrangement frustrates meaningful review, obscures the actual costs of projects, and makes learning to better estimate future projects impossible. Community members may monitor the use of these contributions, and they can raise objections, but a formal investigation is the prerogative of officials.⁵⁵

The internal audit function has just been established, and a limited number of auditors have received brief training. An internal audit manual has been developed with the support of development partners, but it has not yet been accepted by the government. There is no evidence of any legislative mandate, audit charter, or financial instructions or guidelines that detail the responsibilities of internal auditors. The scope of internal audits is limited, although accounts suggest that the departments being audited take appropriate action on internal audit observations, and the OAG also takes into account the internal audit

54 World Bank, *Republic of the Union of Myanmar—Public Financial Management and Performance Report* (Washington, D.C.: The World Bank, 2013), <http://documents.worldbank.org/curated/en/544031468059720456/Full-report>.

55 Giles Dickenson-Jones et al., *Intergovernmental Fiscal Relations in Myanmar*.

observations when they undertake their audit. As of now, internal audit activity is inadequately staffed, and existing staff have inadequate capacity. It is not an independent function, as no audit committee or audit board has been established. The nascent internal audit cannot, as of now, assure that significant financial, managerial, and operating information is timely and accurate, that resources have been used efficiently, or that programs are likely to be successful.

OAG reports provide some feedback to MoPF, through limited compliance audits and reports, on adherence to minimum requirements. The focus of these audits is transactions rather than systems and processes.

While there are mechanisms for public monitoring, there are few opportunities for public consultation. Efforts have been made in a few instances to inform the public and involve people at the community level. ActionAid has supported the use of “transparency boards” at project sites, which track the flow of funds and involve the public in the development of local budgets. The World Bank’s “social audit,” part of the National Community Driven Development Project, invites villagers to participate in “vigilance committees” and “implementation committees” to monitor project implementation. The Social Accountability Partnership among Oxfam, Spectrum – Sustainable Development Knowledge Network (SDKN), and Scholar Institute promotes constructive engagement between the public, local administrations, and CSOs to improve transparency, accountability, and public participation in planning and budgeting, primarily in natural resource management.

These initiatives have produced some positive results, such as the government’s decision to incorporate “village books” into the local planning process in ActionAid’s target area in Pyapon Township, Ayeyarwady; however, as of now, these initiatives are still evolving, are largely project driven rather than systematic, and vary by state/region.

Organizations such as ActionAid are working to increase budget literacy. Since 2012, they have performed some limited budget analysis and conducted pre- and post-budget workshops for CSOs, although the paucity of data still constrains meaningful budgetary analysis. An interviewee spoke of attempting to “unpack the budget” and make some “meaning out of the numbers.” These workshops are conducted in partnership with organizations such as Spectrum and the Union of Myanmar Federation of Chambers of Commerce and Industry, and keynote speakers have included experts in the area.⁵⁶ The primary concern, however, is still access to information.

The last few years have also witnessed the proliferation of independent nonprofit organizations and institutions such as the Enlightened Myanmar Research Foundation (EMReF), which is researching evidence-based policymaking. EMReF also regularly publishes bulletins that cover state and region parliamentary news.

The Union parliament has a fundamental role in authorizing budget decisions and in holding government to account. For this, it needs access to budget documents and data. Parliament and the public should be able to participate in the discussion of budgetary policy according to their democratic mandate and competencies. Officials of the Planning Department have indicated that for FY 2017–2018, parliament has agreed on the Taxation Law, Annual Plan discussions are ongoing, and the Budget Law is to be discussed⁵⁷. Overall, it appears that parliament has the power to influence budget allocations, as evidenced in FY 2016–2017, when it cut the government budget by MMK 37.509 billion, or 0.176

⁵⁶ <http://spectrumsdkn.org/en/>.

⁵⁷ Author’s consultation with the Planning Department, February 27, 2017.

percent.⁵⁸ In the course of consultations with the present JPAC, the chairman recognized the need to better manage public finances, broaden the tax base, and privatize loss-making SEEs. He indicated that the new JPAC has reviewed and analyzed the previous government's budget, the supplementary budget for FY 2016–2017, and the budget for FY 2017–2018. He also indicated that, prior to JPAC's review, 17 committees of the Amyotha and Pyithu Hluttaws had analyzed the budget and submitted their findings. JPAC has made significant cuts, and has recommended eliminating "investment plans that are not in line with the economic policy of the government" and those that "cannot be implemented in one financial year."⁵⁹ JPAC has not suggested any cuts to health and education, in line with the 12th Economic Policy. The MoPF supports JPAC and provides it with the necessary documents and reports. An economic consultant and a national staff advisor support JPAC. Additional experts are needed, however, to better enable JPAC to perform meaningful economic and financial analysis. JPAC indicated that budget documents are forwarded by MoPF when the house is not in session and MPs are in their districts, and that the limited time MPs have to examine the voluminous budget documents makes it hard for them to examine the proposals of each ministry in detail. One of the publications reviewed noted that the budget documents for FY 2016–2017 were distributed to MPs less than a week before parliamentary debate,⁶⁰ "so the MPs proposed the overall budget cut, and there were cases that the ministry cut budget items which the MPs did not originally intend to cut."⁶¹ MPs face additional challenges due to incomplete information and complexities in the budget's formulation. Budget bills often lack appropriate justifications for budget items and project details, hampering effective oversight.⁶² JPAC's mandate includes inspecting project sites to ensure that money is well spent. However, accounts suggest that field visits are discouraged, possibly due to lack of funds. JPAC is largely dependent on the Union Auditor General Report for examining and assessing the budget. There are suggestions that budgets and audit reports in the past have been actively discussed by parliament and JPAC. No legislation mandates that the audit report be discussed within a set time frame, however, nor does the legislative framework prescribe any follow-up on the recommendations of the committee, or the publication of audit reports.

MPs are independently using social media to inform their constituents about the budget. The media has also reported cases where MPs have made site visits to review development projects in their own constituencies:

On 20th November, Kayin State Hluttaw MP U Thant Zin Aung (Myawaddy 1) investigated development projects undertaken in Myawaddy by the Rural Development Department in 2016–2017. Assistant Director U Ngwe Soe and Staff Officer U Myo Aung Soe went along with him and negotiated with the village administrator.⁶³

One news bulletin reported, "Bago Region Hluttaw Public Budget Review Committee claimed that government departments did not perform duties in a timely manner and the cooperation with the Hluttaw was relatively poor."⁶⁴

58 Sandhi Governance Institute, Renaissance Institute, Open Myanmar Initiative, and Yangon School of Political Science, *The First Step toward Participatory Budgeting in Myanmar* (East Asia Institute, 2016), http://m.eai.or.kr/eng/sub03_03_02.asp?code=eng_report&catcode=%20&idx=14711&bytag=n.

59 Author's consultation with JPAC, February 27, 2017.

60 Sandhi Governance Institute, *Participatory Budgeting*.B

61 *Ibid.*, 15.

62 Sandhi Governance Institute, *Participatory Budgeting*.

63 "Photo News," *State and Region Parliaments News Bulletin*, issue 19 (November 24, 2016): 2, <http://www.mypilar.org/en/publication/state-and-region-parliaments-news-bulletin>.

64 State and Region Parliaments News Bulletin Issue_18(November3, 2016) https://www.mypilar.org/sites/mypilar.org/files/related-file/upload/state_and_region_parliaments_news_bulletin_issue_18_eng_10_nov_2016.pdf

There are some cases where MPs seem keen to hold government to account by asking questions, raising issues, and commenting on the functioning of the government:

Daw Sandar Min (Seikgyikanaungto 1) has insisted the regional Auditor General's Office to provide 2016–17 Fiscal Year Report in details. "According to my experience at the Union Level, there has been inaccurate reporting of the numbers, expenditures, and also misuse of the funds reclaimed by the Auditor General's Office, yet [no] punishment for those responsible. We are asking for detailed reporting now that there is a new government and Auditor General, so we can determine what action to take," said Daw Sandar Min.

Parliamentarians should compare facts and figures of the Auditor General's Report with [the] ground-level situation so as to benefit [the] public. "The Auditor General's Report needs to be detailed and transparent," said U Kyaw Zeya (Dagon 2) in approval.⁶⁵

Given the technical nature and complexity of the budget process, however, and mostly freshman MPs,⁶⁶ capacity building is needed for individual parliamentarians, as well as for the various committees, to enable them to better understand budget statements, program expenditures, and revenue projections.

CONCLUSION

In recent years, the government of Myanmar and other stakeholders have taken commendable steps to improve fiscal transparency. Improved media reporting, televised parliamentary debates, budget analysis by third parties, and CSO initiatives to improve budget literacy and to provide a platform for public debate are some of the fruits of stakeholder initiatives. The enacted budget and the Citizen's Budget at the Union level are now available in the public domain. Publication of midyear review, timely publication of budget execution reports and audit reports in the public domain would go a long way to increase stakeholder engagement and make the budget an effective tool. At the state/region level, the budget laws are not in the public domain, and the state/region governments do not, as of now, produce a Citizen's Budget. Some state/region governments interviewed by the author, however, are willing to share information and make the approved budget available with approval from higher authorities.

There is no strategic approach to budget planning and execution. Budget documents do not record allocations to, or earnings from, military-owned enterprises that fall under the Ministry of Defense. The existing system focuses more on control than accountability, and budget monitoring focuses on avoiding overspending rather than on program efficiency and effectiveness. The government is dependent on the central oversight agency, the OAG, which too often only focuses on compliance and verifying that the expenditures are booked correctly rather than on any analysis of results and impact. The use of supplementary budgets, reappropriations, savings, and surrender suggests that budget preparation is unrealistic and does not reflect the needs of the spending agencies, and that there is a disconnect between needs and budget allocations. To make budgets credible, the government should routinely and openly conduct prior evaluations of all substantive new policies to assess congruence with national priorities, clarity of objectives, and anticipated costs and benefits.

65 "Auditor-General to Provide Report in Details," *State and Region Parliaments News Bulletin*, issue 16 (October 13, 2016): 2, <http://www.mypilar.org/en/publication/state-and-region-parliaments-news-bulletin>.

66 Author's consultation with JPAC chair February 27, 2017.

In order to monitor the budget effectively, internal processes must allow the government to take stock, at regular, prescribed intervals, of the overall expenditure (including tax expenditure) and reassess its alignment with fiscal objectives and national priorities. The results of evaluations must be taken into account during the year while the budget is being executed so as to allow for any midcourse correction and timely reallocation of resources.

The prescribed role of both the Union and the state/region legislatures, as well as their specialized public accounts committees and budget committees, is limited by the very short time allotted for their appraisal of the voluminous budget proposals, and by their own capacity constraints. State/region legislatures appear to play an especially marginal role, and almost none at all where the “deconcentrated” budget process is concerned. JPAC, the most significant of the parliamentary committees, has in the past played an important role in terms of both budget processing and oversight, as it has examined the budget proposals put forth by MoPF and the audit reports prepared by the OAG. Anecdotal accounts suggest that members of the committee are in need of capacity building and additional technical expertise to more effectively analyze budget proposals, forecast revenue and expenditures, and examine audit reports.

Meaningful, public fiscal information is quite limited, reducing the chances of public engagement. The information that is available is often inadequate for stakeholders such as legislators, the media, CSOs, and the public to understand the final destination of budgetary allocations or to play an effective role in budget preparation and monitoring. This prevents an inclusive, participatory, and realistic debate on budget choices. Stakeholder participation is also limited by inadequate capacity at the ground level.

Although the government has taken commendable steps in this regard, much more remains to be done. The government, civil society, the media, and the public all have a responsibility and a role to play.

RECOMMENDATIONS

Three key stakeholders—governments, legislatures, and civil society—have a role in managing public expenditure to improve social and economic outcomes.⁶⁷ Following are some key recommendations.

Improve fiscal transparency.

Myanmar has made significant progress in enhancing the amount of fiscal information available in the public domain. The government publishes the Union Budget proposal, in-year budget execution reports, Citizens’ Budgets, the Union Budget Law, the Union Tax Law, and financial information on SEEs. However, as of 31 December 2016, the government of Myanmar makes only two of eight key budget documents publicly available online in a timeframe consistent with international standards.⁶⁸ To improve fiscal transparency it is recommended that the government makes the budget documents including the midyear review and OAG audit reports publicly available online within a stipulated time frame. Further, it is recommended that the budget proposal and expenditure statements be made available to the people, in a form easily understood by the ordinary citizen. This will both improve fiscal transparency and ensure fiscal discipline.

67 Jeremy Heimans, *Strengthening Participation In Public Expenditure Management: Policy Recommendations For Key Stakeholders*, OECD Development Centre Policy Briefs, no. 22 (Paris: OECD, 2002), http://www.oecd-ilibrary.org/development/strengthening-participation-in-public-expenditure-management_640564834060.

68 “Myanmar: Open Budget Survey, December 2016 update,” International Budget Partnership website, accessed July 19, 2017, <http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/country-info/?country=mm>.

Enhance transparency at the sub national level by making available to the people the state/region budgets by publishing them online. The political will for this seems to already exist, and the availability of state/region budget documents in the public domain may be just a matter of time.

Increase the accountability and transparency of the public procurement system with new legislation on public procurement, regulations governing infrastructure contracts, natural resource extraction contracts, and licenses, and by making basic information on all such awards public.

Tweak the planning and budget preparation process.

With the adoption of the MTFF, the Union government has been moving towards a “rulebased financing” model, and has developed a formula based on the use of macroeconomic indicators. Since FY 2015–2016, MoPF has been informing state/region governments of the total grant pool as well as the allocations from that pool. For FY 2017–2018, the budgetary ceiling for allocations for capital and recurrent expenditure and the allocations to the states/regions were communicated in late November 2016.

MoPF should issue the budget calendar and share the annual budget ceilings earlier in the budget cycle—say, in June—in order to give the line departments time to establish their budget priorities more rigorously.

In the last budget cycle, it was found that some state/region governments did not use the budget ceilings indicated by MoPF while preparing their budgets. This could be due in part to a perception that the Union transfers are based on state/region government deficits, and therefore an effort by the state to maximize its share of those funds; or it could be due to the fact that the budget ceilings are conveyed late in the budget cycle, allowing the states/regions inadequate time to revise and reprioritize their budgets.

To allay any perception of partisanship by the Union government, and to enhance transparency, the MoPF should make public a detailed analysis of the formula for allocating transfers to the state/region governments. Although a short description of the MTFF has been provided in the Citizen’s Budget, making this information available on the MoPF or MOI websites would be useful.

Budgeting for investment and for recurrent expenditures involves two separate processes, with no certainty that the long-term investments will be well resourced in future years, partly because major policy decisions are not required to be fully costed in terms of forward expenditures. The government (i.e., the line ministries, in collaboration with the Planning Department) should prepare sector strategies with complete costing of investments and current expenditure.

The MoPF should share the aggregate macroeconomic forecasts and expenditure ceilings for current as well as future years with the line ministries, including the medium-term projections of financial transfers to state/region governments, at the beginning of the budget and planning cycles. This will reassure line ministries and state/region governments that resources will be available in the future to enable them to determine their priorities and develop long-term plans, and that multiyear projects will be well resourced in the future and eventually completed. As a result, it will encourage realistic budgeting and eliminate the need for supplementary budgets.

Ensure transparent and rational prioritization of investment projects.

Criteria, rules, and procedures should be developed by which the Planning Department, line departments, and state/region governments can prioritize projects in their capital budgets. This will encourage

transparent and rational prioritization of investment projects, and prevent projects from being chosen based on the status of their proponents. The Budget Department should devise a similar set of transparent criteria and guidelines for appraising budget proposals.⁶⁹

Strengthen the budget classification system.

The distinction in the budget between capital and current expenditure presents a segmented view of expenditure, and the current budget classification system does not lend itself to a comprehensive view of independent dimensions such as functions, programs, projects, economic object, recipients of funds, geography, and beneficiaries.

The budgetary classification system should be brought into line with the international standards that enable capturing information that clearly links policies and objectives to targets. International organizations have a wealth of knowledge and experience in this area, and are well suited to help the Myanmar government develop a system that meets its needs.

The government should also consider doing away with the distinction between capital and recurrent expenditure in favor of a holistic approach, and moving, in the long run, from input-based budgeting to budgeting linked to programs or outputs and outcomes.

Enhance citizen engagement.

A first step to involve citizens in the planning and budgeting process is to make the plan and budget documents available to them in a form that is easily understandable. The published Budget Law should present a comprehensive account encompassing Union government revenues, expenditures, and financing.

Increase budget literacy and build public awareness of the planning and budgeting processes among CBOs, NGOs, CSOs, the media, and the public. The government could develop instructional modules on the planning and budgeting process and explore the use of TV channels such as the Hluttaw Channel to educate the public. The government of Myanmar, its development partners, and civil society all have important roles to play in this.

Establish procedures to increase meaningful public participation. At the budget preparation stage, for example, include the township budgets that incorporate the action plans developed by the village committees into the state/region budgets. Build a mechanism that enlists community leaders to monitor how money is being spent at the local level. This will require the government to disclose the budget allocation that is available for a program or a village. Allow citizens to lodge formal complaints, including anonymous complaints, about misuse of public monies, corruption, or fraud, and create an impartial authority to investigate complaints. The findings of any investigation should be placed in the public domain.

The NGOs and CSOs could assist the government by conveying lessons learned over the last few years in Myanmar, as well as some of the techniques and tools employed in other countries.

Build mechanisms for performance, evaluation, and internal review.

Make performance, evaluation, and value for money integral to the budget process. The line ministries and the Planning Department conduct performance reviews of programs and activities at specified

⁶⁹ Shotton et al., *State and Region Financing*.

intervals. The resulting reports could serve as inputs for allocations in the next budget cycle, and be submitted to the legislature when it assesses the budget proposals. Build the capacity of the OAG and the MoPF to conduct risk-based audits and performance audits, possibly with the assistance of development partners.

Establish a fully independent internal audit organization with a clear mandate and charter that is well trained and resourced to assure authorities that risk management, governance, and internal control procedures are operating effectively and that the ministries and departments are achieving their assigned objectives. Development partners have an important role to play in assisting the government to build capacity and develop procedures and guidelines in line with best practices. The achievement of this objective, however, will depend first on the initiative of government leaders and senior officials, starting with the MoPF.

Enhance parliamentary oversight.

To ensure parliamentary oversight of the budget process, parliamentarians must become familiar with existing government systems and build their capacity for budget analysis. This can be achieved by:

- (a) conducting short training programs on the budget process to unpack information on government programs and projects, revenues, and expenditures available in budget documents and plan documents.
- (b) conducting training programs targeting members of legislative committees such as JPAC, the Joint Bill Committee, public accounts committees, etc. that enable them to scrutinize the budget more effectively and play an informed role in assessing budget proposals.

The committees must be well resourced, both in terms of funds and personnel. JPAC should be staffed with advisors with expertise in implementing monetary and fiscal policy and revenue and expenditure forecasting. A unit of trained researchers to conduct before- and after-the-fact analysis of the budget and assist JPAC in its debates will help JPAC to be more effective.

Committees and legislators must have sufficient time to discuss and approve the budget in parliament. The annual budget timetable should be reviewed and revised to allow the Hluttaw and the PAC to examine the budget proposals at an early stage.

Enhance OAG's independence and build the capacity of the staff.

Provide security of tenure. Under existing law, the terms of the auditor general and the deputy auditor general are the same as the president's. The law also gives the president the power to dismiss an auditor general or a deputy auditor general who cannot discharge his duties.⁷⁰ To better empower these officials to vigorously and impartially discharge their duties, they should have greater security of tenure and legal protections from removal.

Reduce government control of the OAG's budget. Currently, the budget process treats the OAG like any other government department, but according to international best practices, a supreme audit institution (SAI), in this case the OAG, "should have available necessary and reasonable human, material, and monetary resources, the executive should not control or direct the access to these resources," and "SAIs manage their own budget and allocate it as appropriate." Furthermore, "the legislature or one of its

⁷⁰ Constitution of Myanmar (2008), Article 245(c).

commissions is responsible for ensuring that SAIs have the proper resources to fulfill their mandate,” and “SAIs have the right of direct appeal to the legislature if the resources provided are insufficient to allow them to fulfill their mandate.”⁷¹

- Develop a mechanism for the OAG to publish its audit report once it has been tabled in parliament.
- Train auditors to perform risk-based audits and performance audits.
- To improve audit efficiency and provide an effective follow-up mechanism, the OAG should invest in appropriate information technology and staff trained in its use.

Adopt comprehensive financial rules and procurement guidelines.

MoPF provides a broad framework for financial rules, and Directive 1/2013 of the president’s office, Tender Rules in Allowing to Conduct Investment Activities and Economic Activities, published April 5, 2013, contains limited guidance for review and approval of public procurement activities. Each ministry has developed its own set of procurement and financial rules. The MoPF should exercise greater ownership in this area by developing uniform, comprehensive financial and procurement guidelines to increase clarity and efficiency at the operational level.

In addition, for the sake of uniformity, as the country has neither a central procurement authority nor any procurement law, the government should adopt comprehensive financial rules and regulations and procurement guidelines that include internal approval requirements and clear lines of authority.

71 International Organization of Supreme Audit Institutions (INTOSAI), *INTOSAI Guidelines and Good Practices Related to SAI Independence* (Vienna: INTOSAI, n.d.), <https://static1.squarespace.com/static/57019a6db6aa607cbb909ab2/t/5799315f29687f4a1f0619e3/1469657441073/3.4++ISSAI+11+-+INTOSAI+Guidelines+and+Good+Practices+Related+to+SAI+Independence.pdf>.

ANNEX 1

The Republic of the Union of Myanmar
President Office
Notifications
No 11/2016
(5th May 2016)

Formation of the National Planning Commission

1. The National Planning Commission is formed accordingly

(a) President	Chairman
(b) Vice President (1)	Vice-Chairman (1)
(c) Vice President (2)	Vice-Chairman (2)
(d) Union Ministers	Member
(e) Union Attorney General	Member
(f) Auditor General of the Union	Member
(g) Nay Pyi Taw Council Chairperson	Member
(h) Chief Minister State/Region	Member
(i) Union Planning & Finance Minister	Secretary

2. National Planning Commissions' duties are as follows:

- (a) To include the required plans in accord with the Union Policy.
- (b) To suggest, approve and refuse over the plans submitted by the Union Ministries and State/Region Governments which are to include in the Annual, Midterm and Longterm plans.
- (c) To instruct in creation of combined plans.
- (d) To refuse the ineffective plans that do not support the socioeconomic development.
- (e) To direct the required amount of investment, resources for the State/Region social development planning and activities without harming the natural resources.
- (f) To review the 2nd 5-year short term plan and National Comprehensive Development plan and main plans.
- (g) To present the agreed plans to the Union Parliament through the Union government.

Sd/ Htin Kyaw
President
Republic of the Union of Myanmar

ANNEX 2

The Republic of the Union of Myanmar
President Office
Notification
No 12/2016
(5th May 2016)

Formation of States/Regions Planning Commission

1. The States/Regions Planning Commission has been formed accordingly to analyze and approve the plans which actually support the socioeconomic of respective states/regions without affecting the environment –

- | | |
|---|-------------|
| (1) Chief Minister of State/ Region Government | (Chairman) |
| (2) Ministers of State/Region Government | (Member) |
| (3) Each Representative from Private Sector (Agri,Industry,Service) | (Member) |
| (4) Secretary of State/Region Government | (Secretary) |

2. State/Region Planning Commission's duties are as follows-

- (a) To analyze and approve the State/Region regional plans in accord with the policies of the Union.
- (b) To analyze and approve the plans in midterm and long term regional plan annually.
- (c) To give suggestion upon the foreign invested plans in accord with the policies of the Union.
- (d) To refuse the plans which are not supportive to the socioeconomic development of States/Regions.
- (e) To direct the require amount of investment, resources for the State/Region socioeconomic development planning and activities without harming the natural resources.
- (f) To report the State / Region plans to the National Planning commission and seek their direction.
- (g) To submit the approved Regional Plans to State/Region Hluttaw through the State/ Region government.

Sd/ Htin Kyaw

President
Republic of the Union of Myanmar

ANNEX 3

Republic of the Union of Myanmar
President's Office
Notification No. 6/2016
13th Waning of Tabaung, 1377 ME
(5 April, 2016)

Formation of Financial Commission

In accord with the provisions stated in section 229 (a) of the Constitution of the Republic of the Union of Myanmar and section 11 (a) of the Union Government Law, the President has formed the Financial Commission with the following persons.

- | | | |
|------|---|---------------|
| (1) | U Htin Kyaw
President | Chairman |
| (2) | U Myint Swe
Vice-President | Vice-Chairman |
| (3) | U Henry Van Thio
Vice-President | Vice-Chairman |
| (4) | U Tun Tun Oo
Union Attorney-General | Member |
| (5) | U Maw Than
Union Auditor-General | Member |
| (6) | Dr Khat Aung
Chief Minister for Kachin State | Member |
| (7) | U L Phaung Sho
Chief Minister for Kayah State | Member |
| (8) | Daw nann Khin Htway Myint
Chief Minister for Kayin State | Member |
| (9) | U Salai Lian Lwal Chief
Minister for Chin State | Member |
| (10) | Dr Myint Naing
Chief Minister for Sagaing Region | Member |
| (11) | Dr Lei Lei Maw
Chief Minister for Taninthayi Region | Member |
| (12) | U Win Thein
Chief Minister for Bago Region | Member |
| (13) | Dr Aung Moe Nyo
Chief Minister for Magway Region | Member |
| (14) | Dr Zaw Myint Maung
Chief Minister for Mandalay Region | Member |
| (15) | U Min Min Oo
Chief Minister for Mon State | Member |

- | | | |
|------|---|-----------|
| (16) | U Nyi Pu
Chief Minister for Rakhine State | Member |
| (17) | U Phyo Min Thein
Chief Minister for Yangon Region | Member |
| (18) | Dr Lin Htut
Chief Minister for Shan State | Member |
| (19) | U Mahn Johnny
Chief Minister for Ayeyawady Region | Member |
| (20) | Dr Myo Aung
Chairman of Nay Pyi Taw Council | Member |
| (21) | U Kyaw Win
Union Minister for Planning and Finance | Secretary |

Sd/ Htin Kyaw

President

Republic of the Union of Myanmar

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