THE REPUBLIC OF THE UNION OF MYANMAR

Public Expenditure and Financial Accountability (PEFA)

Assessment Report 2020

MOPFI MINISTRY OF PLANNING FINANCE AND INDUSTRY

WORLD BANK GROUP

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THE REPUBLIC OF THE UNION OF MYANMAR PEFA ASSESSMENT 2020

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the 'PEFA CHECK'.

PEFA Secretariat
March 6, 2020

THE REPUBLIC OF THE UNION OF MYANMAR

Public Expenditure and Financial Accountability (PEFA)

Assessment Report 2020

Acknowledgements

This report was prepared by a World Bank staff team comprising Christopher Robert Fabling (Senior Financial Management Specialist), Pike Pike Aye (Public Sector Management Specialist), together with a team of Consultants comprising Philip Sinnett, International Consultant (PFM), Ildrim Valley, Consultant (Economist) and Soe Nandar Lynn, Consultant (PFM). The report was prepared based on the team's field visits in March, July, August and September 2019, and the findings and recommendations from PEFA steering committee, PEFA technical committee, PEFA working group and comments from developments partners and stakeholders during the 2016 PEFA framework training, consultation meetings, and peer reviews.

The World Bank acknowledges the extensive cooperation and support received from the Government of Myanmar during the preparation of this report. The World Bank also acknowledges the financial support received from the DFID and DFAT (via a Multi-Donor Trust Fund).

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Abbreviations and acronyms

ADB	Asian Development Bank
ADSL	Asymmetric digital subscriber line
ASEAN	Association of Southeast Asian Nations
AT	Myanmar PEFA Assessment Team
CBM	Central Bank of Myanmar
CDF	Constituency Development Fund
CN	Concept Note
COFOG	Classification of the Functions of Government
CPI	Consumer Price Index
CSDRMS	Commonwealth Secretariat Debt Recording and Management System
CSO	Central Statistical Organization
DACU	Development Assistance Coordination Unit
DFAT	Department of Foreign Affairs and Trade
DFID	Department for International Development
DL	Drawing Limit
DMD	Debt Management Division
DM&E	Department of Monitoring and Evaluation
DSA	Debt Sustainability Analysis
EAO	Ethnic Armed Organizations
ERT	Executive Reform Team
EU	European Union
FIRST	Financial Information Reporting System for the Treasury
FERD	Foreign Economic Relations Department
FY	Financial Year
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GOM	Government of Myanmar
GRB	Gender responsive budgeting
ICT	Information and communications technology
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IRD	Internal Revenue Department
ISSAI	International Standards of Supreme Audit Institutions
JICA	Japan International Cooperation Agency
JPAC	Joint Public Accounts Committee
KDI	Korea Development Institute
LTO	Large Taxpayer Office
MDTF	Multi Donor Trust Fund
MEB	Myanma Economic Bank
MMDTF	Myanmar Multi Donor Trust Fund
MMSCG	Macroeconomic Management Sector Coordination Group
MOALI	Ministry of Agriculture, Livestock and Irrigation
MOC	Ministry of Construction
MOE	Ministry of Education
MOEE	Ministry of Electricity and Energy
MOHS	Ministry of Health and Sports
MOPFI	Ministry of Planning, Finance and Industry

Abbreviations and acronyms

MOTC	Ministry of Transport and Communication
MONREC	Ministry of Natural Resources and Environmental Conservation
MPFMP	Modernization of Public Financial Management Project
MSDP	Myanmar Sustainable Development Plan
MTFF	Medium Term Fiscal Framework
MTO	Medium Taxpayer Office
NCA	National Ceasefire Agreement
NLD	National League for Democracy
OAG	Office of the Auditor General of the Union
OAGM	Office of the Auditor General of the Union of Myanmar
OAS	Official Assessment System
PAPRD	Project Appraisal and Progress Reporting Department
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Financial Management
PI	Performance Indicator
PPP	Public Private Partnership
SAA	Self-Administered Areas
SAI	Supreme Audit Institution
SAO	State Administrative Organizations
SCG	Sector Coordination Groups
SDR	Special Drawing Rights
SEE	State Economic Enterprise
SEZ	Special Economic Zone
SME	Small and Medium-sized Enterprises
TA	Technical assistance
TF	Trust Fund
UCSB	Union Civil Service Board
UFA	Union Fund Account
UG	Union Government
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
USAID	United States Agency for International Development
USDP	Union Solidarity and Development Party
US-OTA	United States Department of the Treasury, through its Office of Technical Assistance
WB	World Bank

CURRENCY EQUIVALENTS

June 2019

1 US Dollar = 1,500 Myanmar Kyat

1 Kyat (MMK) = 0.00067 US Dollar (USD)

FISCAL YEAR

October 1, 2018– September 30, 2019

Executive summary

This PEFA assessment is intended to enhance the effectiveness of the Government of Myanmar's (GOM) Public Financial Management (PFM) systems and aid GOM to consolidate its ongoing and planned reforms. In addition, the assessment provides a diagnostic analysis on the progress made since the previous assessment (in 2013) and can be used as the basis for further dialogue on PFM reforms: this will inform future updates and design work on the PFM reform strategy and subsequent action plans.

Assessment management

The assessment was carried out jointly by the GOM and the World Bank, in close collaboration with interested development partners, who provided funding from a MDTF. A multi-disciplinary team supported by an experienced consultant participated in the data analysis and report-writing with GOM counterparts. Other development partners working on various aspects of the PFM systems in Myanmar were invited to contribute their comments on the draft report.

Details of these management and quality assurance arrangements (with the names of all individuals who participated in the different stages of the assessment process) are listed in the Introduction (below).

Assessment coverage and timing

The assessment was undertaken as a joint review of the quality and performance of the central (Union) GOM's PFM systems for the fiscal years 2015/16, 2016/17 and 2017/18. The scope covered all types of budgetary agencies, including line Ministries, central and subnational governments, Office of the Auditor-General of the Union and Office of the Pyidaungsu Hluttaw. The assessment included the six largest Ministries (which together comprise 72% of the Union budget appropriation as per the 2017-18 Citizen's budget).

PFM system performance

Aggregate Fiscal Discipline

Fiscal discipline in Myanmar is very good with most elements of Myanmar's public financial management system contributing to this outcome. On the expenditure side, aggregate estimates are good (PI-1, 'A') with small (but growing) differences between the original estimates and the actual expenditure composition (PI-2.1, 'C' and PI-2.2, 'B'), and actual expenditure is not distorted due to expenditure arrears (PI-22), partly due to the restrictions to carry over amounts. Compositional variations could be explained by the systematic use of the supplementary budget, which in practice acts like de-facto second budget during a fiscal year. Current virement rules and contingency budget have proven inadequate to respond to unforeseen needs and emergencies (e.g. COVID). This incentivizes and promotes the use of the in-year supplementary budget, which in turn induces important transaction costs and affects budget discipline and credibility.

Although revenue estimates are accurate in total, the composition is not (PI-3.2, rated 'C'), and shows an increasing variation from the amounts budgeted for 'financial revenues' over the three years reviewed. However, revenue administration and the accounting arrangements are sound (PIs-19 and 20).

A PEFA assessment also recognizes broader issues that may affect fiscal discipline. For example, while there appear to be relatively small extrabudgetary revenues and expenditures that are not reported (PI-6.1 and .2), there is no evidence of detailed financial reports being submitted by the extrabudgetary units themselves (PI-6.3, rated 'D'). In addition, the monitoring of financial risks is weak (PI-10) as are the management of both public investments and public assets (both PI-11 and 12 are rated ‘D’). While the budget documents have a very limited medium-term perspective (PI-16, rated ‘D+’), medium-term projections do inform the internal budget process, and debt management has improved significantly since the previous assessment.

Strategic Allocation of Resources

With the exception of PI-17 (the budget preparation process, rated ‘B+’) most indicators directly related to ‘policy-based fiscal strategy and budgeting’ (PI-14 to 18) receive low ratings, in some cases, simply because the data used internally by MOPFI is not presented to Parliament (and hence is not available to citizens), or does not follow the policy priorities set out in GOM’s guiding document, the ‘Myanmar Sustainable Development Plan’. More specifically, macroeconomic and fiscal forecasting (PI-14, rated ‘C’ overall) use time-series forecasts to inform the overall budget envelope, but the details are not included in the documentation submitted to the legislature, nor is there any subsequent analysis or reporting on their accuracy, although there is some sensitivity analysis, particularly on the revenue side.

Both ‘public investment management’ and the ‘management of public assets’, PIs-11 and 12 respectively, received weak ratings (both ‘D’), and although a fiscal policy statement was produced for the last budget, and a key result (that the deficit is within 5% of GDP) is quantified, this was only reported internally (PI-15). The budget is approved before the start of the fiscal year. Although the legislative review of the budget is lengthy, it lacks a strategic perspective which has impacted on the overall rating for this indicator (PI-18, ‘C+’).

There are other indicators relevant to resource allocation which are evaluated as satisfactory or better: for example, execution of the budget (by composition PI-2.1 and .2) is good; the classification complies with international standards (PI-4) and budget documentation (PI-5), is good: all are assessed as ‘B’. Similarly, the integrity of financial data (PI-27), the coverage of in-year budget reports (PI-28.1), and the availability of timely information to the Region and State governments about the resources that will be transferred to them (PI-7.2): are all rated ‘B’ or better.

Efficient use of resources for Service Delivery

For aspects related to efficiency in the use of resources, the public financial management system appears satisfactory, as shown for example, by indicators such as ‘predictability of resource allocation in the year’ (PI-21, rated ‘B’); ‘transfers from central government to States and Regions’, which are transparent (PI-7, ‘A’), and the rating of the ‘performance information’ indicator is also reasonable (PI-8, score ‘C+’).

However, mechanisms to minimize the risk of losses are mixed: for example, while payroll controls are good (PI-23, ‘B+’), procurement (PI-24, ‘D+’) is weak, but this is at least partially mitigated by the system of internal control in operation (PI-25, ‘B’). Further, there is no functional internal audit (PI-26.1 ‘D’) to monitor these controls, and – as mentioned above – there are concerns about weaknesses in the management of both public investments and public assets (PIs-11 and 12, both ‘D’). By contrast, accounting control mechanisms are good (PI-27, ‘B’).

Finally, external oversight and monitoring mechanisms show reasonable results. The OAGM operates independently from the executive and uses national standards to audit and highlight significant issues in the financial reports of all central government entities, and in the last year, reported to Parliament within six months.

Once Parliament receives the OAGM's reports, the review by the Joint Public Accounts Committee is completed within six months, and this includes hearings on the key findings, with officials from the MOPFI and line Ministries, also in public (with exceptions for national security or sensitive matters). The legislature issues recommendations on actions to be implemented by the executive. Committee reports are provided to the full chamber of the legislature and published on an official website, and hence are accessible to the public.

Performance changes since the previous assessment

This is the first assessment of Myanmar using the upgraded 2016 PEFA Framework. An earlier assessment took place in 2013, and the guidance issued by the PEFA Secretariat in October 2016 states that only 14 dimensions are directly comparable with the 2011 version of the Framework which was used in 2013.

Annex 4: 'Tracking changes in performance based on previous versions of PEFA', provides an analysis using current data with the 2011 version of the Framework, and demonstrates that a remarkable eighteen indicators show an improved level of performance (i.e. PI's 1, 2, 5, 6, 8, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 23 and 25), resulting in enhanced attainment of the three budgetary outcomes.

So, when compared to the 2013 assessment:

- **Aggregate Fiscal Discipline** has been improved as budget credibility in terms of both revenue and expenditure, and there have been improvements to both budget classification and the associated documentation: top-down budget ceilings are now issued. However, limited information on contingent liabilities and future costs of investments remain threats to the management of medium and long-term fiscal sustainability, and fiscal risks remain unreported. Parliament is functioning more effectively to monitor and enforce aggregate fiscal discipline through the annual budget process.

- **Strategic Allocation of Resources**
  Compositional expenditure deviations continue to remain substantial, as the budget is significantly remade during the year, although the level of unreported government operations has been reduced. Sector strategies are now prepared for most sectors but continue to lack complete costing of investments and recurrent expenditure, which limits the ability of planning efforts to influence future budgets.

  Accounting and reporting tend to be viewed as a largely technical process that exerts control in avoiding overspending of budget provision and providing the basis for audit. It does little to establish deeper accountability for how resources are used or play a role in active in-year financial management.

Parliament is functioning effectively to monitor and reorient spending allocations through the annual budget process. The process can benefit from a more thorough review of fiscal policies and medium-term fiscal projections.

- **Efficient use of resources for Service Delivery**
  The significant changes in the composition of spending during the year raise the likelihood of inefficiencies in service delivery. However, the improved budget classification system together with more comprehensive budget documentation, and improved availability of information combine to improve public scrutiny, although regulations still focus on detailed transaction control. Budgeting for investment and recurrent expenditure remain separate processes, which leads to inefficiencies in service delivery

  Parliament is functioning more effectively to monitor and enforce the emphasis on service delivery through the annual budget process.

PFM reform initiatives

The 2013 PEFA assessment informed the development of a phased reform program coordinated by a PFM Executive Reform Team (ERT) led by the Deputy Minister for Planning, Finance and Industry. The reform strategy focused on a phased modernization of the PFM system to develop the internal capacities needed to effectively manage the transition and support improved service delivery. The 2013 Nay Pyi Taw Accord established the GOM's aid coordination architecture which included 16 sector working groups that brought together key Government Ministries with development partners active in these sectors. In July 2017, the Union Government Economic Committee meeting (No. 10/2017) agreed to the formation sector coordination groups (SCG) by the Development Assistance Coordination Unit (DACU). Regular sector coordination group meetings were organized. Macroeconomic Management Sector Coordination Group (MMSCG), one of sector coordination groups, has been headed by Union Minister, MOPFI since 2017. MMSCG meeting are organized at least bi-annually, where stakeholders discuss progress, activity planning, monitoring, and donor support for macro-fiscal and PFM reforms.

The Modernization of Public Finance Management Project (MPFMP) has supported the GOM since 2014. It has assisted the modernization and strengthening of the PFM systems in line with modern international good practices, and aims to support efficient, accountable and responsive delivery of public services through the modernization of Myanmar's PFM systems and strengthening institutional capacity.

The GOM has published its 'Public Financial Management Reform Program Strategy, 2018 to 2022'. In preparing this strategy, the GOM reflected on the previous reform experience and the PFM Reform Report jointly prepared by the World Bank and line Ministries.

Use of the results of this assessment

The results of the assessment provide important input to refine ongoing reform activities. It will support the GOM in prioritizing and implementing the medium-term PFM Reform strategy (2018-2022) through timely technical advice and policy recommendations in line with the Myanmar Sustainable Development Plan (MSDP) (2018-2030). The assessment will inform the reform priorities of the second phase of the PFM strategy aimed at strengthening the core MOPFI functions including tax administration, the new public financial management law, the procurement reform as well as the modernization of accounting and financial reporting. The assessment will also inform the second World Bank PFM program supporting these areas as well as second generation of reforms identified as weak by PEFA, such as public investment management, public asset management, and fiscal risks management. This PEFA will further serve as a baseline to monitor progress in the implementation of the PFM strategy and reforms. The GOM's fiscal space is constrained and thus it is critical that there is proper prioritization of major investments informed by improved financial and fiscal risk information. Development partner engagement will continue to play an important role in supporting this deep and comprehensive PFM reform agenda. The PEFA assessment, which was done with the main development partners in PFM will provide a unique platform for a coordinated approach.

TABLE 1.1: Overview of the scores of the PEFA indicators (using the 2016 Framework)

PFM Performance Indicator		Scoring Method	Dimension Ratings				Overall Rating
			i.	ii.	iii.	iv.	
Pillar I. Budget reliability							
PI-1	Aggregate expenditure outturn	M1[1]	A				**A**
PI-2	Expenditure composition outturn	M1	C	B	A		**C+**
PI-3	Revenue outturn	M2[2]	A	C			**B**
Pillar II. Transparency of public finances							
PI-4	Budget classification	M1	B				**B**
PI-5	Budget documentation	M1	B				**B**
PI-6	Central government operations outside financial reports	M2	A	A	D		**B**
PI-7	Transfers to subnational governments	M2	A	A			**A**
PI-8	Performance information for service delivery	M2	B	C	C	C	**C+**
PI-9	Public access to fiscal information	M1	B				**B**
Pillar III. Management of assets and liabilities							
PI-10	Fiscal risk reporting.	M2	D	D	D		**D**
PI-11	Public investment management	M2	D	D	D	D	**D**
PI-12	Public asset management	M2	D	D	D		**D**
PI-13	Debt management	M2	A	B	B		**B+**
Pillar IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	C	C	C		**C**
PI-15	Fiscal strategy	M2	D	C	C		**D+**
PI-16	Medium-term perspective in expenditure Budgeting	M2	D	D	C	NA	**D+**
PI-17	Budget preparation process	M2	B	B	A		**B+**
PI-18	Legislative scrutiny of budgets	M1	C	B	A	B	**C+**
Pillar V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	C	B	C	B	**C+**
PI-20	Accounting for revenue	M1	A	A	C		**C+**
PI-21	Predictability of in-year resource allocation	M2	C	B	B	A	**B**
PI-22	Expenditure arrears	M1	A	C			**C+**
PI-23	Payroll controls	M1	B	B	B	A	**B+**
PI-24	Procurement management	M2	D	B	D	D	**D+**
PI-25	Internal controls on non-salary expenditure	M2	C	B	B		**B**
PI-26	Internal audit	M1	D	NA	NA	NA	**D**
Pillar VI. Accounting and reporting							
PI-27	Financial data integrity	M2	C	B	B	B	**B**
PI-28	In-year budget reports	M1	B	C	C		**C+**
PI-29	Annual financial reports	M1	C	B	C		**C+**
Pillar VII. External scrutiny and audit							
PI-30	External audit	M1	C	D	B	D	**D+**
PI-31	Legislative scrutiny of audit reports	M2	B	C	C	B	**C+**

1 'Weakest link': M1 (WL) is used for multidimensional indicators where poor performance on one dimension is likely to undermine the impact of good performance on other dimensions of the same indicator.

2 'Averaging': M2 (AV) uses a table provided by the PEFA Secretariat to determine the overall score, based on the individual dimensions.

1

Introduction

1.1 Rationale and purpose

This PEFA assessment is intended to enhance the effectiveness of the Government of Myanmar's (GOM) PFM systems and aid GOM to consolidate its ongoing and planned reforms. In addition, the assessment provides a diagnostic analysis on the progress made since the previous assessment (in 2013) and can be used as the basis for further dialogue on PFM reforms: this will inform future updates and design work on the PFM reform strategy and subsequent action plans.

The previous PEFA assessment took place in 2013, using the 2011 PEFA Framework, with the report providing the first comprehensive review of Myanmar's PFM system. The 2013 PEFA assessment covered the central (Union) government for the years 2008/09, 2009/10, and 2010/11. It identified a key strength in the dimension for aggregate revenue out-turn compared to the original approved budget. Weaknesses were identified across most of the other dimensions – comprehensiveness of budget credibility, budget cycle and transparency, accounting, recording and reporting, external scrutiny and audit, and donor practices. There were several limitations noted in the classification of budget information, incomplete guidance in existing laws and regulations and deficiencies in budget execution (financial reporting), recording of cash, payroll controls and internal audit, as well as high variations between budgets and outturns.

Challenges can be found across the PFM cycle. There is a disconnect between planning and budgeting functions. Budgets are incremental, with some consultation with line Ministries to discuss needs and budget execution, which is considered in the next year's budget allocations. Budgets typically are not aligned with needs. The current framework for oversight is focused primarily on central controls rather than monitoring how well public services are provided by states and regions and the municipalities within them.[3] Reporting and recording systems in Myanmar had not focused on whether government programs are performing well and getting good results rather compliance with procedures has been the primary focus. There have been some positive exceptions, for example, the establishment of school grants committees and the requirement that school budgets are visible at each school have made it possible for communities to become more involved in monitoring the performance of their public schools.

Fiscal space is limited by a vicious cycle of low revenues, short-term financing, inefficient public investments, and SEE subsidies. Natural gas revenue volatility impacts in-year budget execution and creates pressures on the budget deficit. Aid management has become complex with a growing number of development partners and level of commitments. The Project Appraisal and Progress Reporting Department (PAPRD) has stepped up its oversight function in managing public investment with strengthened appraisal and monitoring of capital projects: this followed a long period during which GOM did not undertake project appraisals. However, the impact of this change occurred after the assessment period.

3 Whilst there is a sound financial reporting framework in place, it is fully paper-based, administratively heavy, and slow. Reporting focuses on inputs and compliance, rather than outputs or achievements. There is very little dissemination of the financial reports, nor is there demand from upper/middle management for timely, quality reporting, and whatever reporting is produced is not regularly used for decision-making.

1.2 Assessment management and quality assurance

The 2019 Myanmar PEFA assessment was carried out jointly by the GOM and the World Bank, in close collaboration with interested development partners. The Secretary of the PEFA Steering Committee, Director General Budget Department of the MOPFI led the work from the GOM side and appointed staff to work with the World Bank Assessment Team during the validation and rating of the indicators. Annexes 6A, 6B and 6C provide a list of GOM counterparts who worked on each of the indicators. The funding contributions to the PEFA assessment are provided by the MDTF development partners (DFID – United Kingdom and DFAT – Australia). A multi-disciplinary team with experts from both the World Bank's governance and macro-fiscal management global practices participated in the data analysis and writing of the report with the GOM counterparts. A PEFA consultant provided technical advice to the team and compiled the assessments and ratings into a consolidated report.

Several development partners joined various stages of the assessment, including representatives of the two contributors to the current phase of the PFM MDTF—DFID and DFAT. Other development partners who have been working on various aspects of the PFM systems in Myanmar were invited to contribute their comments on the draft report.

The assessment management and quality assurance arrangements, with the names of all individuals who participated in the different stages of the assessment process, are presented in the box below:

BOX 1.1: Assessment management and quality assurance arrangements

Oversight Team:

The Assessment Managers worked under the overall guidance of H.E. U Maung Maung Win, Deputy Minister, Ministry of Planning, Finance and Industry, Mr. Fily Sissoko, Practice Manager and Mr. Fabian Seiderer, Lead Public Sector Specialist, World Bank.

Assessment Managers:

- 2019 Government of the Union of Myanmar PEFA Technical Committee headed by Daw Thida Tun, Director General, Budget Department, Ministry of Planning, Finance and Industry
- Mr. Christopher Robert Fabling, Senior Financial Management Specialist and Ms. Pike Pike Aye, Public Sector Management Specialist, World Bank

Assessment Team Members: The assessment was carried out by a core team comprising staff from the World Bank, the PEFA working group, Budget Department, MOPFI, and consultants. The Assessment Team was as follows:

The World Bank:

- Mr. Philip Sinnett, International Consultant (PFM)
- Mr. Ildrim Valley, Consultant (Economist)
- Ms. Soe Nandar Lynn, Consultant (PFM)
- Ms. Htar Htar Ei, Consultant (Research)
- Ms. Kay Khine Win (Program Assistant)

Consulted Technical Experts from the World Bank:

- Ms. Bronwyn Grieve, Program Leader
- Mr. Hans Anand Beck, Lead Economist
- Ms. Bonnie Ann Sirois, Senior Financial Management Specialist
- Mr. Adu-Gyamfi Abunyewa, Senior Procurement Specialist
- Ms. Yin Win Khaing, Procurement Specialist
- Mr. Arvind Nair, Economist
- Mr. Thanapat Reungsri, Economist
- Ms. Thi Da Myint, Economist

Review of the concept note

Review of the draft concept note: February 11, 2019:

Invited peer reviewers and others who provided comments:

- Mr. Jens Kromann Kristensen, Head of the PEFA Secretariat
- Government of Myanmar
- Mr. Nick Wintle, Economist, Department for International Development (DFID)
- Ms. Elodie Maria-Sube, Programme Manager – Economics and Public Finance, Delegation of the European Union to Myanmar) and Ms. Sylvie Zaitra Beck, Senior Education Public Finance Management, My Governance Project, European Union Financed Project
- Mr. Maxwell Bruku Dapaah, Senior Financial Management Specialist, The World Bank, Bangkok
- Mr. Tim Vistarini, Counsellor, Development & Economics, Australian Embassy Yangon

Date of final concept note: 15 March 2019

Review of the assessment report

Date(s) of reviewed draft report(s): October 15, 2019, February 4, 2020, February 17, 2020

Invited peer reviewers and others who provided comments:

- Ms. Julia Dhimitri, PEFA Secretariat
- Government of Myanmar
- Mr. Nick Wintle, Economist, DFID
- Ms. Sylvie Zaitra Beck, Senior PFM Specialist, My Governance Project, European Union Financed Project
- Mr. Tim Vistarini, Counsellor, Development & Economics, Australian Embassy Yangon
- Mr. Khuram Farooq, Senior Financial Management Specialist, The World Bank, Washington, D.C.
- Ms. Phuong Anh Nguyen, Public Sector Specialist, The World Bank, Hanoi

The Director, Training, Research and ICT Division of the Budget Department, MOPFI served as the Secretary of the 2019 Government of the Union of Myanmar PEFA Technical Committee and the Staff Officer, Research and ICT Division of the Budget Department, MOPFI served as the Secretary of the PEFA Working Group and focal persons. The PEFA Technical Committee and PEFA Working Group collected evidential documents, assisted in identifying issues, and coordinated meetings that involved government officials from within and outside of the MOPFI, such as OAGM, JPAC and line Ministries. Drafts of the report were circulated for internal discussion to ensure the factual accuracy and completeness of the assessment.

As per the PEFA methodology, the GOM established a high-level PEFA Steering Committee to oversee the assessment process and then determine the course of reforms following the finalization of the assessment report. The PEFA Steering Committee is chaired by the Deputy Minister of the MOPFI.

In addition, an internal review group was set up to include key officials from each of the government institutions who discussed findings and results within their respective hierarchy, and with the PEFA Assessment Team at various stages during the assessment process. Internal and external peer reviewers were involved in the review of the concept note and the final report. External peer reviewers included the GOM, World Bank colleagues, donor representatives (from DFID, DFAT and the EU), and the PEFA Secretariat

1.3 Assessment methodology

This assessment is based on the 2016 PEFA Framework (available on the PEFA website, www.pefa.org) issued by the PEFA Secretariat in February 2016, and used all 31 performance indicators. The Assessment Team worked closely with the PEFA Secretariat to seek guidance and clarification when required. A comparison of the 2019 performance and the previous 2013 PEFA Assessment using the indicators in the 2011 PEFA Framework is included in Annex 4. The PEFA Secretariat also developed guidance to help assessment teams collect information on Gender Responsive Budget practices and the Gender Responsiveness of Countries' Public Financial Management Systems: a table summarizing the results is included in Annex 7.

1.4 Coverage of the assessment and when performance is assessed

The period for the assessment covered the three fiscal years 2015/16, 2016/17 and 2017/18 based on audited financial statements and other supporting evidence. The cut-off date for the collection of supporting evidence for inclusion in the report was November 30, 2019.

The assessment focused on the central (Union) government for three fiscal years from FY 2015/16 to FY 2017/18. The scope covered all types of budgetary agencies, including line Ministries, central and subnational governments, Office of the Auditor-General of the Union and Office of the Pyidaungsu Hluttaw. Myanmar does not follow GFS classification and the Assessment Team therefore used the classification in the Citizens Budget. The assessment included the six largest Ministries (which together comprise 72% of the Union budget appropriation as per the 2017/18 Citizen's budget), as well as two State Administrative Organizations (SAOs), the Office of the Pyidaungsu Hluttaw and the Office of the Auditor-General of the Union (which together make up 11% of the SAO category of expenditure as per the 2017/18 Citizen's budget, Annex 9A). Two subnational governments, Yangon Region – which has the most non-Union budget revenue – and Shan State (which has the most significant budget deficit financed by the Union) were assessed for PI-7 (transfers to subnational governments) and PI-10.2 (monitoring of subnational governments). The Social Security Board receives salary and insurance revenues from the Union budget, then uses its own funds for any expenditure it incurs. The four most significant public corporations ('State Economic Enterprises')[4], three of which utilize Union funds (Myanmar Oil and Gas Enterprise, Myanmar Timber Enterprise, Electric Power Generation Enterprise, Yangon Electricity Supply Corporation), as well as the Central Bank of Myanmar were covered.

1.5 Sources of information

A list of GOM Officials consulted is provided in Annex 3A, while Annex 6 lists members of the PEFA Steering Committee, the Technical Committee and the Working Group.

The Assessment Team consulted a wide range of documents from various Ministries and budgetary agencies and utilized studies and analysis produced by the World Bank and other development partners. A list of key documents consulted can be found in Annex 4, and included the *Myanmar Sustainable Development Plan*, Annual budget laws, budget execution reports, audited annual financial statements and audit reports for 2015/16, 20167/17 and 2017/18 FYs. In most cases, data was not triangulated by external stakeholders.

4 There are four different categories of SEEs (1) Operating Outside the Union Budget (i.e. all operations self-financing) (2) Union Budget only funds financial expenditure (they have other accounts and operate with their own funds) (3) Union Budget funds recurrent expenditure (i.e. salaries, wages, pension costs, interest on foreign loans), capital expenditure and financial expenditure (They have OAs while also spending Union funds) and (4) Union Budget funds recurrent expenditure (i.e. 50% of raw materials, manufacturing and operating costs, commercial tax, income tax and contribution to the Union and 100% of all other recurrent expenditure), capital expenditure and financial expenditure.

2

Country background information

2.1 Country economic situation

Country Context

Myanmar, home to about 53 million people, is the second largest country in Southeast Asia with a total land area of 676,578 square kilometres bordered by China, Lao PDR, Thailand, Bangladesh and India. Myanmar's 2,800-kilometer coastline provides access to sea routes and deep-sea ports, and the country is rich in natural resources including arable land, forests, minerals, natural gas, and freshwater and marine resources. The country is divided administratively into seven regions (predominantly inhabited by Bamar, the largest ethnic group in the country), seven states (mostly inhabited by a multitude of ethnic minorities[5]), and a Union territory around Nay Pyi Taw, the capital city created just over a decade ago at the centre of the country. The population size and composition of states and regions vary widely. The largest, Yangon region, has a population that exceeds countries like Laos, Denmark and Singapore. The smallest, Kayah state, has a population of less than half a million, smaller than a mid-size city. Two-thirds of the population live in rural areas and the two larger urban areas concentrated in Yangon and Mandalay.

Myanmar has suffered a prolonged history of conflict which marked its political, social and economic life since independence in 1948, and has left a legacy of a weakened social contract, top-down decision-making and institutional bias that prioritizes compliance over public service. These features influence and provide an important backdrop to reform efforts of PFM systems.

The various forms of mixed governance arrangements in conflict-affected areas provide a challenge to the provision of services. The competing mix of authority in conflict-affected areas limits the penetration of the state to varying degrees. Government spending and PFM systems have to navigate varied and complex local-level relationships.

Since 2015, Myanmar has endeavoured to achieve long lasting and sustainable peace. The National Ceasefire Agreement (NCA) commits all parties, including ethnic stakeholders and the military, to an ongoing political dialogue, aimed explicitly at negotiating the form of Myanmar's future democratic and federal system of government via the Union Peace Conference and the 'Seven Steps Roadmap for National Reconciliation'. The NCA has been adopted with 11 basic principles between the government and EAOs. The Union Peace Conference - 21st Century Panglong has been conducted since 2016. That dialogue is ongoing.

In 2011, the GOM launched major political and economic reforms aimed at increasing openness, empowerment, and inclusion. The political reforms have included the release of political prisoners, negotiations and signing of ceasefire agreements with armed ethnic groups, relaxation of media controls and censorship, and the establishment of a bicameral national legislature. Key economic reforms have included liberalizing the foreign exchange market, relaxing controls on foreign ownership of companies, and separation of the Central Bank of Myanmar from the Ministry of Planning, Finance and Industry (MOPFI). These reforms brought about annual growth rates of 7 percent (although this has declined in recent years) and a decline in the share of the population living in poverty from 42.4% in 2010 to 24.8% in 2017.[6] Per capita income stood at around $1,300 in 2018 ($6,600 PPP), up from under $1,000 in 2010 ($3,600 PPP).

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5 Despite colonial-era attempts to enumerate Burma's ethnic groups, which ran to more than one hundred, it is not possible to clearly delineate each group or to identify much of the population by a unique ethnic origin.

6 https://www.worldbank.org/en/country/myanmar/publication/poverty-report-myanmar-living-conditions-survey-2017

GOM has published a new Public Financial Management Reform Program Strategy (2018 to 2022) in which it has iterated its commitment to reform and articulated a vision for second-generation PFM reforms. This PEFA assessment will be used by the GOM to inform these reforms. It is planned that the reforms will focus on i) improving accountability for the management and use of public resources in a responsible, disciplined, and transparent way; and ii) further develop the ability to produce, analyse, and interpret more sophisticated management information for decision making purposes. This will provide the basis for the final phase of the reforms focusing on improving the quality of expenditure through the use of budgetary and expenditure management systems that are directly linked to the achievement of policy objectives.

Myanmar's economic outlook remained positive based on renewed reform momentum and implementation of mega investment projects. However, recent developments driven by the COVID-19 global viral outbreak have placed pressure on the economic outlook. Global and regional growth prospects have been battered first by a supply shock and now a widening shock to global demand as travel and movement restrictions increase in different parts of the world. The consequences will also be reflected in Myanmar, where GDP growth for fiscal year 2019/20 is estimated to decline to a range of 2 to 3 percent from 6.3 the previous year. The downgrade reflects impacts in all sectors, driven by a slowdown in domestic demand and significant trade, tourism and supply-chain exposure to China and the rest of the East Asia region. On the other hand, the Planning Department expected GDP growth to slow down to 4-5% in FY2019-2020 followed by a gradual recovery in FY2020-2021. Nevertheless, both outlooks are still subject to significant downside risks and uncertainties. China, which accounts for a third of Myanmar's trade, a fifth of foreign tourists and up to 15 percent of FDI is estimated to grow much slower than expected this year. The economy is expected to recover next year to grow in a range of 4-6 percent, in line with regional peers. However, the situation may change as the pandemic evolves and countries grapple with the health crisis.

Monetary and Banking sector reforms have continued. In May 2018, the Central Bank of Myanmar authorized creation of Myanmar's first credit bureau (a joint venture with Singapore's Asian Credit Bureau Holdings). As an intermediary between banks and non-banking financial institutions, the Credit Bureau is expected to collect information on the debt profile of borrowers and make the information accessible to lenders, an important step to help SMEs without collateral gain access to financial services.

The new Investment Law was enacted in 2016. The retail and wholesale sectors have been opened-up to full foreign ownership for new investments. Service sector liberalization is continuing, with delivery and warehousing services the latest sectors to be opened. Prior to the Investment Law being enacted, foreign firm applications approved by the Myanmar Investment Commission received automatic tax relief (first on imports during the development phase, and then on the other taxes for the next 5-7 years). The regulations apply an effective corporate tax rate of zero to all 54 promoted sectors: all other sectors in the large taxpayer list have an effective tax rate of close to 25%.

The new Companies Law became effective in August 2018. It allows up to 35 percent foreign ownership in local companies, and restrictions on foreigners to engage in certain sectors such as retail and wholesale and export/import activities have been removed. In addition, foreign investors are now allowed to participate in the Yangon Stock Exchange. However, SEEs continue to play a dominant role in Myanmar's economy. Collectively, they generate about half of the GOM's revenue,

7 East Asia and Pacific in the Time of COVID-19, the World Bank's April 2020 Economic Update for East Asia and the Pacific

consume half of the GOM's budget, and regulate much of the formal economy, including the forestry, telecommunications and mining sectors.

Regional integration can also promote inclusive growth. Following 50 years of isolation, Myanmar faces very limited integration into regional and global markets. The establishment of the ASEAN Economic Community in 2015 could provide a major driver for future growth for Myanmar. Beyond the region, economic sanctions have started to be dismantled, opening-up additional opportunities in key western markets.[8] These market access openings present important opportunities for Myanmar to diversify its exports and achieve better integration into global value chains. However, international attention to the issues in Rakhine mean these opportunities could potentially be at risk.

As part of China's Belt and Road Initiative, Myanmar and China signed a framework agreement on November 8, 2018, the total cost of the project, which is planned in four phases, is estimated at about US$7 billion. The first phase foresees a US$1.3 billion investment for implementation of Kyaukphyu deep-sea port which includes two deep water berths to be constructed and operated by a joint venture company with 70% Chinese and 30% Myanmar ownership. The second phase will involve the preparation of a feasibility study for the Muse-Mandalay railway line.

Fiscal management

The aggregate fiscal deficit remained stable at 2.7% of GDP in 2017/18, with revenue and expenditure both declining as a share of GDP. The actual budget deficit was considerably lower than the 5.8% of GDP deficit estimate in the 2017/18 supplementary budget. Both general government receipts and spending have declined as a share of GDP compared to the previous fiscal year. Declining SEE recurrent and capital expenditures have helped offset falling SEE receipts. For the Union Government, declining revenue collection and expenditure as a share of GDP highlights the need for short-term revenue mobilization and budget execution efficiency enhancement.

The change in the GOM fiscal year will pose challenges when comparing the actual annual fiscal deficit (effective from October 1, 2018, the fiscal year now runs from October – September). This change was made to improve implementation of capital and infrastructure projects by aligning the start of the fiscal year with the end of the monsoon season. To implement this change, the GOM enacted a six-month "bridge" budget for the period April–September 2018 and allowed only limited spending. While the fiscal year has moved by six months, the tax year April-March has been initially retained for all taxpayers except SEEs (although it is expected that the transition to align the tax year with the budget year will occur in the fiscal year 2019/20). Therefore, the annual fiscal deficit amount might be considerably lower than the budgeted amount for the previous year. In addition, actual outturns for 2017/18 have reflected a lower fiscal deficit, given the long-standing challenges in budget execution and underestimation of revenues in the original and revised budgets. This was partly due to stronger than expected natural gas prices. Having different tax and fiscal years, may introduce short-term challenges in budget execution and misalignment of spending patterns with revenue collection, which may increase the uncertainty of short-term fiscal outturns and the medium-term fiscal outlook.

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8 The US suspended most sanctions in May 2012 with imports of most goods from Myanmar now authorized and restrictions on banks eased. In May 2013, the US signed a Trade and Investment Framework Agreement aimed at boosting trade, and recently announced its intention to grant Myanmar access to the preferential tariff system of the "Generalized System of Preferences" (GSP). In addition, the EU lifted its sanctions in April 2013 and in July 2013 admitted Myanmar to its everything but Arms (EBA) scheme, granting zero duties to all goods (besides arms and ammunition) originating from the country.

GOM financing sources are becoming more diversified. The share of direct CBM financing of the fiscal deficit has continued to decline, replaced by domestic treasury bills and bonds. The share of CBM financing of gross domestic financing declined from 52.9% in 2016/17 to 24.5% in 2017/18, while the share of treasury bills and bonds sold in auctions increased from 47.1% to 75.5%.[9]

PFM reform initiatives

The GOM has actively engaged with development partners in analysing the PFM system to develop a fit-for-purpose PFM reform strategy. In 2012 the GOM and the World Bank jointly conducted a PEFA assessment and the International Monetary Fund completed a Review of Public Finance Management. The 2013 PEFA assessment informed the development of a phased reform program coordinated by a PFM Executive Reform Team (ERT) led by the Deputy Minister for Planning, Finance and Industry. The GOM articulated a PFM reform strategy in 2013 that focused on a phased modernization of the PFM system to develop the internal capacities needed to effectively manage the transition and support improved service delivery.[10] The IMF review led to the establishment of the Treasury Department. It also analysed tax administration and tax policy to identify reform priorities.

Partnership principles have been agreed between development partners and GOM. The 2013 Nay Pyi Taw Accord established the Government's aid coordination architecture which included 16 sector working groups that brought together key Government Ministries with development partners active in these sectors.[11] In July 2017, the Union Government Economic Committee meeting (No. 10/2017) agreed to the formation sector coordination groups (SCG) by the Development Assistance Coordination Unit (DACU). DACU has formed 10 Sector Coordination Groups with PFM being a sub-sector working group of the Macroeconomic Management Sector Coordination Group (MMSCG) under MOPFI. Regular MMSCG sector coordination group meetings were organized in August and November 2018 where stakeholders discussed progress, activity planning, monitoring, and donor support for Macro-fiscal and PFM reform.

The Modernization of Public Finance Management Project (MPFMP) has supported the GOM since 2014. It has assisted the modernization and strengthening of the PFM systems in line with modern international good practices. The original project period was from October 2014 to September 2019[12] but has recently been extended for a further 18 months. Key counterparts are MOPFI (Budget, Planning, Treasury, PAPRD, IRD, MEB), OAGM and Joint Public Accounts Committee (JPAC). The Project Development Objective is to support efficient, accountable and responsive delivery of public services through the modernization of Myanmar's PFM systems and strengthening institutional capacity. The main components and activities are:

- Improving revenue mobilization and strengthening tax administration
- Supporting budget formulation, responsive planning and Public Investment Management
- Supporting effective budget execution, Treasury operations and financial reporting
- External oversight and accountability (Public Accounts Committee and External Audit)
- Establishing sustainable institutional platform and skills based on PFM

9 2019-20 fiscal policy statement, table 3: Union Government Financing

10 The GOM proposed a 3-phased reform program that covers a 10-15-year period. Phase 1 (3-5 years)'s objective was focused on improving the control and stability in expenditure and revenue management processes while building internal capacities.

11 The PFM sector working group was formed under MOPFI and developing partners are ADB, Australia, Denmark, EU, Germany, IMF, Korea, UK, UNDP, UNICEF, USA ID.

12 Project financing is IDA loan SDR 19.6M and TF USD 20 M (total USD 50million). TF development partners are DFID, DFAT (Australia), Denmark. The project is extended for 18 months up to March 31, 2021.

Other development partners (IMF, JICA, EU, ADB, UNCDF, Norway) are also providing technical assistance in the PFM area.

The GOM has published its 'Public Financial Management Reform Program Strategy, 2018 to 2022'. In preparing this strategy, the GOM reflected on the previous reform experience and the PFM Reform Report jointly prepared by the World Bank and line Ministries. The main achievements during the first phase of the PFM reforms have been: establishing the Treasury Department in MOPFI; updating the financial rules and regulations; establishing a Medium-Term Fiscal Framework; strengthening budget planning; improving the intergovernmental fiscal transfer system; issuing a Citizen's Budget; improving macro-economic forecasting; improving cash and debt management; and strengthening external oversight mechanisms. These achievements provide the foundations for the next generation of reforms.

Other PFM and fiscal diagnostics include two Myanmar Public Expenditure Reviews, published by the World Bank Group in 2015 and 2017. Myanmar Economic Monitors are published semi-annually by the World Bank Group to analyse recent economic developments, prospects, and policy priorities in Myanmar (latest December 2018, June 2019, and December 2019). Sector level PFM reports include the Myanmar 2018 Education Budget Brief by UNICEF and the forthcoming PFM debottlenecking analysis of the education sector by Oxford Policy Management. The World Bank is currently conducting a PFM study focused on the Myanmar's health sector.

Economic Growth

TABLE 2.1: Selected economic indicators

	2015/16	2016/17	2017/18
GDP (MMK in Billion)	56,476	59,787	63,828
Real GDP growth (%)	7.0%	5.9%	6.8%
Gross domestic debt (% of GDP)	21.4%	22.2%	22.9%
Current account balance (% of GDP)	-9.0%	-8.5%	-5.7%
CPI (All items, year-on-year % change)	8.4%	7.0%	5.4%
Total external debt (% of GDP)	16.7%	13.4%	15.4%

Source: Myanmar Economic Monitor June 2019 and MOPFI

2.2 Fiscal and budgetary trends

The fiscal stance remains mildly expansionary and fiscal management prudent. Overall fiscal deficits have been maintained under 5% of GDP. Overall, government spending has declined, from 10.2 percent of GDP in 2015/16 to 9.8 percent in 2017/18. General public service and defence account for the largest budget allocations.

The GOM faces challenges in collecting more revenue. Relative to other emerging markets and regional peers, Myanmar has one of the lowest revenues-to GDP ratios. Total revenue has declined form 11.2 percent in 2015/16 to 10.3 percent in 2017/18, with grants making 0.3 percent of GDP.

Debt has remained modest, with external debt at 15.4% of GDP in 2017/18, down from 16.7% in 2015/16. Overall debt is below 40% of GDP over the three fiscal years assessed (see figure 1). Interest related expenditure has increased modestly from 1 percent of GDP in 2015/16 to 1.3 percent in 2017/18.

TABLE 2.2: Aggregate fiscal data (central government actuals, percent of GDP and MMK in Billion)

	2015/16 PA	2016/17 PA	2017/18 PA
Total revenue	**11.2%**	**11.0%**	**10.3%**
—Own revenue	10.8%	10.6%	10.0%
—Grants	0.4%	0.4%	0.3%
Total expenditure	**10.2%**	**10.0%**	**9.8%**
—Noninterest expenditure	9.2%	8.9%	8.5%
—Interest expenditure	1.0%	1.1%	1.3%
Aggregate deficit (incl. grants)	2,795.490	2,382.494	2,815.155
Primary deficit	3,501.392	3,293.522	3,987.594
Net financing	-3,373.344	-2493.840	-2,961.777
—external	-445.046	-158.441	-215.558
—domestic	-2,928.298	-2,335.399	-2,746.219

Source: MOPFI

TABLE 2.3A: Budget allocations by function (COFOG)

Provisional actual budgetary allocations by sectors (in percent)		2015/16 PA	2016/17 PA	2017/18 PA
01	General public services	26.0%	27.4%	28.4%
02	Defence	28.1%	26.1%	26.2%
03	Public order and safety	3.1%	3.5%	3.4%
04	Economic affairs	14.5%	15.2%	13.7%
05	Environmental protection	0.1%	0.3%	0.4%
06	Housing & community amenities	1.6%	0.7%	0.8%
07	Health	6.7%	6.2%	6.8%
08	Recreation, culture and religion	0.8%	0.8%	0.8%
09	Education	13.8%	14.1%	13.7%
10	Social protection	5.3%	5.6%	5.7%
GRAND TOTAL		**100%**	**100%**	**100%**

Source: MOPFI and Table 7 (p24) of this report. Note: Figures cover central government. PA = provisional actual

TABLE 2.3B: Budget allocations by economic classification

Provisional actual budgetary allocations by economic classification (in percent)	2015/16 PA	2016/17 PA	2017/18 PA
Current expenditures	**66.8%**	**71.4%**	**72.7%**
—Wages and salaries	14.5%	21.7%	21.5%
—Goods and services	10.6%	11.2%	19.8%
—Interest	6.3%	8.0%	9.7%
—Transfers (including grants and social benefits)	20.8%	22.0%	20.6%
—Others	14.6%	8.5%	1.1%
Capital expenditure	**33.2%**	**28.6%**	**27.3%**
GRAND TOTAL	**100%**	**100%**	**100%**

Source: MOPFI

2.3 Legal and regulatory arrangements for PFM

The 2008 Constitution contains basic provisions on public finances including the Executive Power of the Union Government. Paragraph 221 mentions that the Union Government shall draft the Union Budget Bill based on the annual Union budget, after coordinating with the Financial Commission, and submit it for approval to the Pyidaungsu Hluttaw in accord with the provisions of the Constitution.

The GOM has published Public Financial Management Reform Program Strategy 2018 to 2022. It was informed by the government's priorities in the Myanmar Sustainable Development Plan (MSDP) (2018-2030). MSDP's strategy 2.4 is set to strengthen public financial management to support stability and the efficient allocation of public resources. In recent years, Myanmar has enacted both the Myanmar Investment Law and the Myanmar Special Economic Zone (SEZ) Law. Both laws include tax incentives, guaranteed investment protections and certain other privileges. However, the GOM recognises that in addition to clear laws and regulations, it is important to create a favourable, predictable, facilitative and friendly investment climate broadly[13]. The PFM regulatory framework, however, is fragmented and supported by detailed implementing regulations. An overview of the regulatory framework is as follows:

- **Planning:** National Plan Law (2017-2018) provides the legal basis for the national development planning process, the sector objective, and the preparation and approval of annual, medium- and long-term national development plans.
- **Budgeting:** The Union Budget Law and Citizen's Budget (2018-2019 financial year) present the economic policy of the GOM, fiscal policy and data, Union's revenue, expenditure and deficit as per the budget classification system. It also sets out the role of the MOPFI, procedures for the preparation and adoption of the state budget, financial relationships across different levels (horizontal and vertical) of government, and a requirement for annual audited financial statements to be submitted by the President to Parliament.

13 Myanmar Sustainable Development Plan (MSDP) (2018-2030)

- **Accounting:** 2017 Rules and Regulations on financial management of Myanmar provides the duties and powers regarding public financial management, spending public funds, duties and powers of the Treasury Department, the submission procedures of monthly statements of organizations to Treasury Department, improving reporting on budget execution based on the GOM's accounting standards.
- **Audit:** The Law Amending the Auditor General of the Union Law, 2018 (The Pyidaungsu Hluttaw Law No.2/2018) provides the operational framework for the external audit institution, OAGM, as a professional and independent institution tasked with submitting audit findings/reports to the President of the Union and Parliament simultaneously.
- **Intergovernmental fiscal relations:** Myanmar's 2008 Constitution established 14 subnational governments, (seven states and seven regions), each with their own legislature, judiciary and executive. All financial matters and transactions shall be administered, and responsibilities taken by the respective persons delegated in the Budget Laws. The Region or State governments are able to take grants and loans from the Union fund according to the Constitution.
- **Joint Public Accounts Committee:** The Public Accounts Committee was formed in 2011 in accordance with sub-section (a) of Section 115 of the Constitution, and it formed of no more than 15 representatives drawn from the Hluttaw. The committee is responsible for scrutinizing the budget of the Union Government and the reports of the Union Auditor-General, reviewing whether or not the budget approved by Pyidaungsu Hluttaw has been efficiently spent for the purposes intended in line with the rules and regulations.
- **Internal control system:** the legal and regulatory arrangements for the internal control system is addressed in Annex 2.
- **Procurement:** Procurement Directive No. 1 /2017 was announced in April 2017. This covers the tender Procedure for Procurement of Civil Works, Goods, Services, Rental and Sale of Public Properties for the Government Departments and Organizations[14].

2.4 Institutional arrangements for PFM

Structure of Government

Myanmar is a parliamentary republic as defined by the 2008 Constitution, which established three branches of government – executive, legislature, and judiciary. The first openly contested general election since 1990. The National League for Democracy (NLD) was elected on 8 November 2015 with an outright majority – controlling nearly 80% of the elected Parliamentary seats. The NLD government has made dramatic changes in the size of government. (For example, the 36 ministries under the Union Solidarity and Development Party (USDP) government, which were led at their peak by 96 Ministers and Deputies, were initially reduced to 21 Ministries).

The Executive

The executive branch is headed by the President. The President is selected by the political party which has the majority of the seats in the People's Assembly. The President is constitutionally responsible for overseeing the cabinet. However, the State Counsellor post, which was created on 6 April 2016. The President and the State Counsellor both have five-year terms. In accordance

14 The Law on Public Procurement and Asset Disposal has been approved by the Cabinet and is being submitted to Parliament for its approval.

with the 2008 constitution there are two Vice-presidents. These vice presidents (no. 1 and no. 2) play lead roles in setting the budget for Union ministries and the state/region governments. The cabinet meets every two weeks. All the Ministers are appointed by the President and approved by the Pyidaungsu Hluttaw. The governments of the states and regions consist of a Chief Minister (appointed by the President) and other ministers. The executive branch must carry out the rules and regulations as established by the legislative branch.

The Legislature

The legislative branch is divided between the Union level and the State and Region level. The legislative power of the Union is shared among the Pyidaungsu Hluttaw, and the State and Region Hluttaws. The Pyidaungsu Hluttaw consists of the People's Assembly (Pyithu Hluttaw) elected based on township and population, and the House of Nationalities (Amyotha Hluttaw) with an equal number of representatives elected from States and Regions.[15]

The Judiciary

The Supreme Court of the Union is the superior court of record and has supervisory powers over all courts in the Union with its decisions binding upon all courts. It is the apex of the court system in Myanmar and exists as an independent entity alongside the legislative and executive branches. This comprises the Chief Justice and between seven to eleven other judges, who are appointed by the President with the approval of the Pyidaungsu Hluttaw.

Office of the Auditor General of the Union

The Auditor-General is appointed by the President with the approval of the Parliament. The Audit Law of 2010 stipulates that the term of office of the Auditor-General and the Deputy Auditor-General of the Union is the same as that of the President of the Union. One of the duties of the Auditor-General is to "submit at least once a year and in unusual circumstances, from time to time", a report on the auditing of the accounts of the receipts and payments of the Union to a session of the Pyidaungsu Hluttaw, Pyithu Hluttaw or Amyotha Hluttaw. However, the provisions contained in this Law shall not apply to the Ministry of Defence.

State and Region Governments

The 2008 Constitution recognizes four different types of subnational governments under the Union. There are seven states, seven regions, six self-administered areas (SAA), and one Union territory (Nay Pyi Taw). The States and Regions are a conventional de jure subnational level of government created by the Constitution with a legislature and an executive arm and limited revenue-generating powers. Partially elected unicameral legislatures (Hluttaw) are established in each state and region. The members of the subnational legislatures debate policy, performance and budgets. The executive, led by an unelected Chief Minister and a Cabinet of State/Region Ministers, is assigned the right to promulgate laws for the entire or any part of the region or state over matters prescribed in a list of eight sectors outlined in Schedule Two of the constitution. Executive power extends to the administrative matters over which the state or region Hluttaw has powers to make laws. Schedule Five of the Constitution assigns states and regions an assortment of smaller tax and non-

15 The Constitution guarantees the military 25% representation in the Assembly of the Union. The House of Nationalities is made up of 224 members. Of these individuals, 168 are elected by the general population and 56 are appointed by the military. The House of Representatives is made up of 440 members, 330 of whom are elected by the public and 110 of whom are guaranteed seats by military appointment.

tax revenues, but the main sources of revenue come from the Union Fund in the form of grants.

Levels below States and Regions serve primarily as deconcentrated units of central government and are not regarded as independent subnational authorities. They include 72 Districts that form states and regions, and 330 Townships that form districts. Townships are further divided into towns, villages and urban wards, but these have only limited governance structures.

Budget preparation is shared between budget and planning department offices in states and regions with the latter preparing both strategic plans (and economic targets) and developing the budgets for current and capital expenditure. State and Region governments do not prepare consolidated financial statements.

Ministry of Planning, Finance and Industry

In 1993, the Ministry of Planning and Finance was divided into two ministries namely, a Ministry of National Planning and Economic Development and a Ministry of Finance and Revenue. There were seven departments/ organizations under the Ministry of National Planning and Economic Development and twelve departments/enterprises/ organizations including the Central Bank under the Ministry of Finance and Revenue.

In 2013, the Ministry of Finance and Revenue became the Ministry of Finance, which then comprised thirteen departments/ organizations/ enterprises. The Central Bank of Myanmar separated from the Ministry of Finance in 2014/15 fiscal year. In 2016, the new government combined the Ministry of National Planning and Economic Development with the Ministry of Finance to establish the Ministry of Planning and Finance (MOPF), which then comprised eighteen departments/organizations/ enterprises (i.e. Budget, Treasury, Planning, Project Appraisal and Progress Reporting, Central Statistical Organization, Central Equipment Statistics and Inspection Department, National Archives Department, Myanma Economic Bank). In November of 2019, the government combined the Ministry of Planning and Finance with the Ministry of Industry to establish the Ministry of Planning, Finance and Industry (MOPFI), which currently comprises twenty-four departments/ organizations/ enterprises including departments/ organizations/ enterprises previously under the Ministry of Industry.

There is no equivalent unit fulfilling the functions of what in many countries is called the 'Office of the Accountant General' (although there are plans to move to such a model). Accounting and reporting functions are carried out through the combined efforts of the Treasury and Budget Departments of MOPFI, MEB, and CBM.

Line ministries

The 36 ministries under the Union Solidarity and Development Party (USDP) government, were initially reduced to 21 ministries, with four more Ministries later established; Ministry of Union Government Office in 2017, Ministry of Ethnic Affairs in 2016, and Ministry of Investment and Foreign Economic Relations in 2018, Ministry of International Cooperation in 2017. At the time of this report, there are twenty-four line ministries, including the recent merger of the Ministry of Planning and Finance and the Ministry of Industry, mentioned above. Each line Ministry has the responsibility for implementing tasks assigned under the 2008 constitution, which includes managing and monitoring the performance of SEEs under their control.

Key features of the PFM system

Union Government budget is operated through the Union Fund Account, and the 14 States and Regions budgets are operated through their State and Region Fund Accounts. The Budget Department is responsible for preparing the budget calendar, annual budget, supplementary grant budget, Union Budget Law and Union Supplementary Appropriation Law. Planning Department is responsible for organizing preparation of the capital budget and the Annual Report of the National plan. Internal Revenue Department is responsible for tax collection and assisting with taxpayer services. Myanmar Economic Bank (MEB) provides commercial banking services and development banking services to both the public and private sectors. The government's Union Fund Account is located at MEB, and all government agencies are required to open their respective agency accounts at MEB in order to spend their budget allotment and to collect their revenue. The Treasury Department is responsible for cash and debt management functions and for reporting and accounting for financial statements. CBM plays the roles of issuer of domestic currency and as a banker to the Government, inspector and supervisor for the financial institutions, and banker for the financial institutions. Spending units can start incurring expenditure by opening a drawing limit account (DL) at the MEB. The payment system is centralized by the MEB, which maintains Union Fund Accounts (UFAs) for making receipts and payments for all Union level agencies, including SEEs. The Treasury Department manages the consolidated account of the government, "the Government Deposit Account", which is held at the CBM. CBM maintains Government Deposit Account for issuing debit and credit of subsidies for State and Region governments, SEEs contributions, treasury bonds/bills issuance, repayment, redemption, renewal and surplus or deficit of UFA. Effective from October 1, 2018 the fiscal year calendar was changed from April – March to October – September. This change was made with a view to improving implementation of capital and infrastructure projects by aligning the start of the fiscal year with the end of the monsoon season.

TABLE 2.4: Structure of the public sector (number of entities) and Financial Turnover

2015/16 PA	Public sector						Total
	General Government				Public Corporation Sub-sector		
	Central Government			Local Govt			
	Government Sub-sector		Social security funds		*Non-financial Public Corporations*	*Financial Public Corporations*	
	Budgetary Unit	Extra-budgetary Units					
Union	147	2	1		26	6	182
Financial Turnover							18,272,489.06
States, Regions & SAAs				20			20
Financial Turnover				2,555,715.99			2,555,715.99
Districts	74						74
Townships	330						330

Source: MOPFI (Note; The financial turnover is total expenditure amount of 2017-2018 PA, amount in MMK in Million).

TABLE 2.5: Financial structure of central government—budget estimates (MMK in Million)

Year 2017/18		Central government			
	Budgetary units	Extrabudgetary units	Social security funds	Consolidation Column	Total aggregated
Revenue	8,144,109.227	41,629.677	83,695.696	-16,055.631	8,253,378.969
Expenditure	9,317,951.479	38,171.000	17,990.696	-16,055.631	9,358,057.544
Transfers to (-) and from (+) other units of general government's	-4,676,441.960	747.830	63,522.261	0.000	-4,612,171.869
Liabilities	992,980.038	0.000	0.000	0.000	992,980.038
Financial assets	-20,801.381	0.000	0.000	0.000	-20,801.381
Nonfinancial assets	3,502,599.708	2,710.847	2,182.739	0.000	3,507,493.294

Source: MOPFI

TABLE 2.6: Myanmar Fiscal operations (percent of GDP)

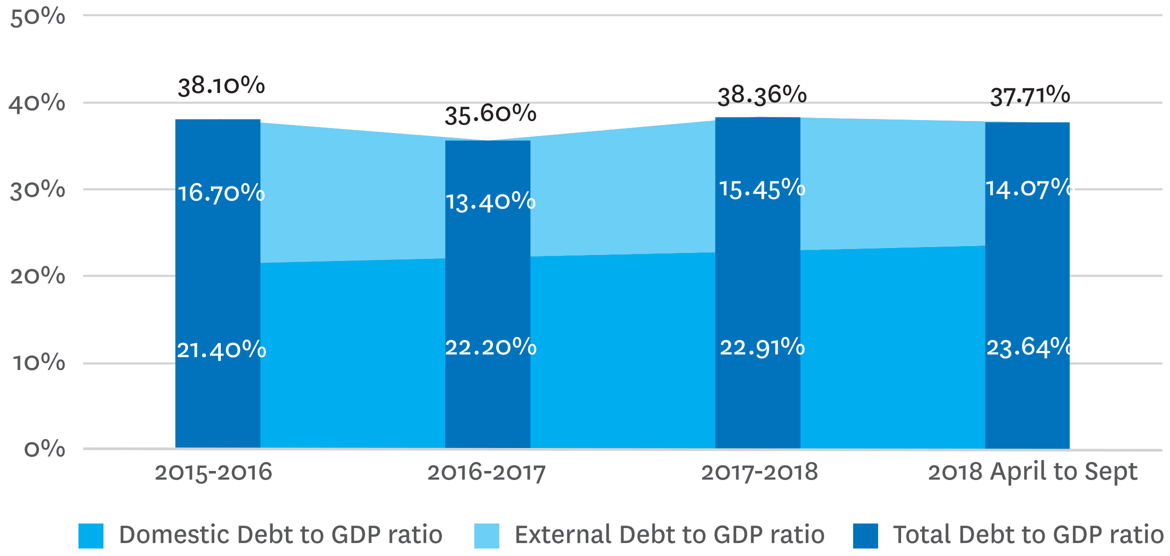
	2015/16	2016/17	2017/18	Transition Period	2018/19
	Provisional Actual	**Provisional Actual**	**Temporary Actual**	**Budget**	**Budget**
Consolidated Public Sector					
Revenue	18.8%	18.2%	16.5%	N/A	13.6%
Expenditure	23.1%	20.9%	19.2%	N/A	19.0%
Recurrent	16.9%	16.0%	14.9%	N/A	13.6%
Of which, Interest[16]	1.2%	1.4%	1.4%	N/A	1.3%
Capital	6.2%	4.9%	4.3%	N/A	5.4%
Balance	-4.3%	-2.7%	-2.7%	N/A	-5.4%
SEE Operations					
Revenue	10.1%	9.1%	8.3%	N/A	6.7%
Net of transfers to UG	7.5%	7.1%	6.4%	N/A	5.2%
Expenditure	10.6%	8.7%	8.0%	N/A	7.6%
Recurrent	9.3%	7.9%	7.2%	N/A	6.3%
Net of transfers to UG	6.6%	5.8%	5.3%	N/A	4.7%
Capital	1.3%	0.9%	0.8%	N/A	1.4%
SEE Balance	-0.5%	0.4%	0.3%	N/A	-0.9%

16 Without Interest

	2015/16	2016/17	2017/18	Transition Period	2018/19
	Provisional Actual	**Provisional Actual**	**Temporary Actual**	**Budget**	**Budget**
Union Government					
Revenue	11.3%	11.1%	10.1%	N/A	8.4%
Tax	6.7%	7.1%	6.6%	N/A	5.5%
o/w Income	3.2%	2.9%	2.5%	N/A	2.0%
o/w Commercial	2.9%	2.4%	2.2%	N/A	1.8%
Non-Tax	4.1%	3.6%	3.3%	N/A	2.4%
Grants	0.5%	0.4%	0.2%	N/A	0.6%
Expenditure	15.1%	14.2%	13.1%	N/A	13.0%
Recurrent	10.3%	10.2%	9.7%	N/A	8.9%
Wages	2.2%	2.2%	2.0%	N/A	1.9%
Transfers	2.7%	2.5%	2.1%	N/A	1.9%
Interest	1.0%	1.2%	1.2%	N/A	1.2%
Other	4.4%	4.4%	4.3%	N/A	3.9%
Capital	4.9%	4.0%	3.4%	N/A	4.1%
Union Government Balance	-3.9%	-3.1%	-3.0%	N/A	-4.6%

Source: Myanmar Economic Monitor, June 2019, Annex 6 b: Fiscal operations (percent of GDP)

Figure 1: Myanmar Debt-GDP ratio[16]



17 2018-2019 Citizen's Budget, Part 3, Union's Debt progress.

TABLE 2.7: Financial structure of central government – provisional actual (MMK in Million)

Year 2017/18		Central government			
	Budgetary units	Extrabudgetary units	Social security funds	Consolidation Column	Total aggregated
Revenue	9,191,269.553	46,291.957	93,433.158	-32,349.825	9,298,644.843
Expenditure	8,807,414.304	30,662.709	21,031.398	-32,349.825	8,826,758.586
Transfers to (-) and from (+) other units of general government's	-2,897,425.287	11,681.867	70,588.076	0.000	-2,815,155.344
Liabilities	2,926,152.648	0.000	0.000	0.000	2,926,152.648
Financial assets	-35,624.549	0.000	0.000	0.000	-35,624.549
Nonfinancial assets	3,281,280.536	3,947.381	1,813.684	0.000	3,287,041.601

Source: MOPFI

TABLE 2.8: Union Revenue, Expenditure and Deficit for 2017-18 Fiscal Year (MMK in Billion)

	Union	Region/State	Total	% of GDP
Revenue	16,604.597	2,474.942	19,079.539	20.89%
Current Revenue	14,455.362	*2,302.664	16,758.026	18.35%
Capital Revenue	267.455	78.617	346.072	0.38%
Financial Revenue	1,881.780	93.661	1,975.441	2.16%
Expenditure	20,594.165	2,474.942	23,069.107	25.26%
Current Expenditure	**15,511.087	950.831	16,461.918	18.03%
Capital Expenditure	4,487.777	1,516.911	6,004.688	6.58%
Financial Expenditure**:	595.301	7.200	602.501	0.66%
Deficit	(3,989.568)	-	(3,989.568)	-4.37%
GDP			**91,319.433**	

Source: Myanmar Citizen's Budget 2017-2018 - *Out of Region/State current revenue of K 2,302.664 billion, k 1,707.580 billion is provided by the Union's Fund; ** financial expenditure includes spending on loans and repayment related expense.

TABLE 2.9: Budget appropriation for Union Organizations and Ministries for 2017-2018 FY (MMK in Million)

No.		Department/Organization	Budget Estimate for 2017-2018 FY	%	Remark
1		State Administrative Organization (SAO)	86,030.946		
	1	Office of the Pyidaungsu Hluttaw	3,021.030		
	2	Office of the Auditor General of the Union	6,410.982		
		Total (1+2)	9,432.012	11%	% of SAO
2		Ministries	18,942,851.830		
	1	Ministry of Planning, Finance and Industry	4,836,899.998		
	2	Ministry of for Electricity and Energy	4,488,959.371		
	3	Ministry of Agriculture, Livestock & Irrigation	1,118,624.548		
	4	Min of Natural Res & Environmental Conservation	338,950.244		
	5	Ministry of Health and Sports	1,076,100.401		
	6	Ministry of Education	1,756,041.024		
		Total	**13,615,575.586**	**72%**	**% of total Ministries**
3		Central Bank of Myanmar	345,892.825	2%	% of total budget
4		Cantonment Municipalities	1,216.000		
5		Naypyitaw Council	26,166.515		
6		Naypyitaw Development Committee	39,675.447		
7		SOE Undertaken Outside the Union's Fund	1,137,073.496	6%	% of total budget
8		Social Security Board	15,257.739	0.07%	
		Total	**20,594,164.798**		

Source: Myanmar Citizen's Budget 2017-2018 (expenditures include operating expenses linked to foreign grant and loan accounts

TABLE 2.10: Regions/State Revenue and Expenditure for 2017-18 Fiscal Year (MMK in Million)

No.	Regions/States	Revenue	Expenditure	Surplus (+)/(Deficit (-)
1	Yangon Region	382,585.316	424,280.667	(41,695.351)
2	Shan State	40,210.927	258,840.709	(218,629.782)
	Total (1+2)	422,796.243	683,121.376	(260,325.133)
	Total States and Regions (Excluding Union Financing)	767,361.582	2,474,941.978	(1,707,580.396)
	Financing from Union	1,707,580.396		1,707,580.396
	Total Regions and States	**2,474,941.978**	**2,474,941.978**	-

Source: Myanmar Citizen's Budget 2017-2018

2.5 Other key features of PFM and its operating environment

Annual planning

Numerous agencies are involved in the planning and budgeting process. The capital and recurrent budgets are prepared separately: Planning Department coordinates the preparation of the capital budget; while in parallel the Budget Department prepares the recurrent budget and coordinates formulation of the overall budget for submission to the legislature.

The planning process is conducted by line Ministries in coordination with the Planning Department. Line Ministry budgets are not presently prepared with a medium-term focus on fiscal sustainability or future spending obligations. There have been efforts to move towards a “bottom-up” planning process. However, the linkage with the “top-down” budgeting process and sectorial strategies is weak. Bottom-up requests are made without reference to the available fiscal space and affordability, and do not apply strategically oriented prioritization and selection criteria.

The GOM’s key on-going efforts to amend this and improve the prioritization and selection criteria involves the Project Bank. The Project Bank was introduced in early 2019, but its implementation and linkage to the regular capital budgeting process is still evolving. It entails an interactive, web-based, and publicly accessible database that includes projects that government agencies plan to implement to achieve the Myanmar Sustainable Development Plan (MSDP) goals and strategic action plans. The aim will be to ensure that “strategic” projects (those larger than MMK 2 billion) go through an additional screening process. The threshold value of MMK 2 billion (approximately USD 1.3 million) is consistent with the value of existing large projects in Myanmar.

Consequently, budgets are prepared mainly on an incremental basis, rather than being informed by medium-term budgetary policies or availability of financing. Moreover, the institutional fragmentation between budgetary units means capital expenditure proposals are often made independent of future resource availability, the recurrent costs of investment decisions or the funding requirements for multi-year procurements.

Recent developments

As per the 2019/20 Budget brief submitted to the legislature as part of the budget documentation, all SEEs were required to close their “Other Accounts” starting from 2019/20 FY and their fund flow management be operated by UFA-SEE account. In addition, Myanmar’s track record of strong economic growth and increased electrification has led to a growing demand for electricity. According to recent estimates, consumption will grow at an average annual rate of 11 percent until 2030. Peak demand is expected to reach 8.6 gigawatts (GW) by 2025 and 12.6 GW by 2030, which is a significant increase from the current level of 3.6 GW. To cater to this demand, overall investment requirements are estimated to be around US$2 billion per year, which is double the historic levels. By 2025, 5 GW of new generation capacity will to be added, equivalent to roughly three times what was built over the same period in the past[18]. Myanmar’s electricity prices were financially unsustainable, with rates

18 Myanmar Economic Monitor June 2019

the lowest in ASEAN and unchanged despite years of discussions. The proposal by the Ministry of Electricity and Energy (MOEE) to raise prices was approved by Parliament in April 2019. Electricity rates were increased substantially from July 2019 for both residents and businesses. According to the 2019/20 FY Budget speech, the electricity sector subsidy was estimated to decrease by MMK 500 Billion due to the policy change in this sector. However, these estimates have been impacted by the on-going COVID-19 pandemic and the GOM's policy response.

The COVID-19 pandemic has caused an unprecedented human and health crisis. The measures necessary to contain the virus have triggered an economic downturn. The impact of the global and regional growth slowdown on the Myanmar economy is expected to be severe. Myanmar's GDP growth for fiscal year 2019/20 is estimated to decline to a range of 2 to 3 percent from 6.3 percent last year. Myanmar has taken several measures in response to the COVID-19 pandemic. Economic measures thus far largely focused on the supply side of the economy, to support cash-constrained firms in most vulnerable sectors through a reduction in the interest rate aimed at lower debt service and intervening in the exchange rate market. Effective on April 1, 2020, the CBM reduced interest rates by a combined 1.5 percent. A COVID-19 commitment fund has been created worth MMK 100 billion (0.1 percent of GDP) – funded by the Revolving Fund (MMK 50 billion) and the Social Security Fund (MMK 50 billion). These funds are earmarked to support of businesses facing unprecedented challenges related to the coronavirus pandemic. The fund will be used to provide credit to the hardest hit businesses owned by Myanmar nationals at an interest rate of 1 percent and a loan period of 1 year. Deferrals (to September 2020) and exemption of income tax and commercial tax for affected businesses, hotels, tourism companies and SME businesses have also been allowed to ease near term cashflow problems. MOEE has announced that electricity bills for up to 150 units free per month for month of April and May and electricity bills for up to 75 units free from 1st to 15th June. In addition, GOM has published a COVID-19 Economic Relief Plan on 27th April 2020, suggesting potential further stimulus measures in response to the pandemic.

3

Assessment of PFM performance

This section presents an assessment of the key elements of Myanmar's PFM system based on the PEFA 2016 performance indicators, which are grouped into seven 'pillars'. The scoring for each indicator or dimension is based on the following criteria:

Score	Description
A	High level of performance that meets good international practice
B	Sound performance above the basic level
C	Basic level of performance broadly consistent with good international practice
D	Either less than the basic level of performance or insufficient information to score

3.1 PILLAR ONE: Budget reliability

PI-1 Aggregate expenditure outturn

This indicator assesses whether the annual budget approved by Parliament to finance the provision of public services and the development of investment projects undergoes adjustments or substantial deviations during the budget execution phase. The indicator compares the aggregate budget expenditure outturn (actual total expenditure) against the total of the originally approved budgeted expenditure, as defined in government budget documentation. Aggregate expenditure includes current and capital expenditure of central government ministries and agencies, and transfers to subnational governments.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-1. Aggregate expenditure outturn	A	At 95.3%, 93.5% and 97.9% for 2015/16, 2016/17 and 2017/18 respectively; aggregate expenditure outturn deviated by less than 5% from the approved budget in two of the last three FYs.
1.1. Aggregate expenditure outturn	A	

1.1 Aggregate expenditure outturn

This dimension covers the last three completed fiscal years: 2015/16, 2016/17 and 2017/18. All aggregate figures are actuals (A) and have been audited. The aggregate expenditure outturns for the last three fiscal years were 95.3%, 93.5%, and 98.0% for 2015/16, 20156/17 and 2017/18 respectively. In two of three fiscal years the aggregate expenditure outturns deviated from the original approved budget by less than 5%. The data and resulting overall variances that were used to calculate the percentage deviations are shown in **Table 3.1**.

TABLE 3.1: Original budget and actual expenditure

	FY 2015/16	FY 2016/17	FY 2017/18
Budget (MMK million)	20,613,750	20,266,641	20,594,165
Actual (MMK million)	19,653,714	18,940,765	20,182,090
% Outturn	95.3%	93.5%	98.0%

Source: MOPFI

Dimension rating: A

PI-2 Expenditure composition outturn

This indicator measures the extent to which reallocations between the main budget categories during budget execution have contributed towards the variance in expenditure composition. Where the composition of expenditure varies considerably from the composition in the original approved budget, the budget may not be a useful statement of policy intent and not a good predictor of public spending outcomes. This indicator assesses the extent to which public policy priorities, as reflected in the allocation of expenditures by administrative and economic categories in the budget, are observed during budget implementation. All figures are actuals (A) and have been audited.

Summary of scores and performance table

Indicator/Dimension		Score	Brief justification for score
PI-1.	**Aggregate expenditure outturn**	**C+**	**Overall rating based on M1 methodology**
2.1	Expenditure composition outturn by function	C	The administrative composition variance was 10.1%, 8.4% and 10.6% for the fiscal years 2015/16, 2016/17 and 2017/18 respectively, which was less than 15% in all of the past three completed fiscal years.
2.2	Expenditure composition outturn by economic type	B	The variance in expenditure composition by economic classification was 5.2%, 3.3% and 16.1% for the fiscal years 2015/16, 2016/17 and 2017/18 respectively, which was less than 10% in two of the past three completed fiscal years.
2.3	Expenditure from contingency reserves	A	Actual expenditure charged to a contingency vote was on average 0.4% of the total expenditure in the original approved budget.

Expenditure composition outturn by function

This dimension measures the variance between the original budget, as approved by the Parliament, and end-of-year outturn in expenditure composition by administrative classification. Good practice requires a variance less than 5% for at least two out of most recent three years, which is the criteria for an 'A' rating. The variance in expenditure composition by administrative classification was 10.1%, 8.4% and 10.6% for the fiscal years 2015/16, 2016/17 and 2017/18 respectively; which was below 15% in two of the last three fiscal years. Contingency items and interest on debt were excluded in measuring the difference between the approved budget and the outturn. Details of the calculations are shown in Annex 5.

Dimension rating: C

2.2. Expenditure composition outturn by economic type

This dimension measures the difference between the originally approved budget and end-of-year outturn in expenditure composition by economic classification, including interest on debt but excluding contingency items. The variance in expenditure composition by economic classification was 5.2%, 3.3% and 16.1% for the fiscal years 2015/16, 2016/17 and 2017/18 respectively; which was below 10% in two of the three fiscal years. The calculation included interest on debt but excluded contingency items. Details of the calculations are shown in Annex 5.

These variations could be explained by the systematic use of the supplementary budget, which in practice acts as a de-facto second budget during a fiscal year. Current virement rules and contingency budget have proven inadequate to respond to unforeseen needs and emergencies (e.g. COVID). This incentivizes and promotes the use of the in-year supplementary budget, which in turn induces important transaction costs and affects budget discipline and credibility.

Dimension rating: B

2.3. Expenditure from contingency reserves

This dimension acknowledges the need for budget contingency reserves for handling unpredictable events. Should the contingency reserve account for a large share of the budget estimate, it would undermine budget reliability. The dimension is scored based on the average percentage of expenditure from contingency reserves against aggregate budgeted expenditure for the fiscal years 2015/16, 2016/17 and 2017/18. Good practice requires a final percentage of less than 3%, which is the criteria for an 'A' rating.

Contingency reserves are budgeted under the MOPFI and are appropriated in-year. However, the amount of the reserve is low, on average only 0.4% of the approved budget, and has proven to be inadequate to respond to the unforeseen needs resulting from the Covid 19 crisis. Furthermore, the allocation of the reserve across MOPFI, states, regions and line ministries precludes its treatment as an emergency or disaster fund. The budget reserve is often underspent for several reasons, despite important unmet needs. Details of the calculations are shown in Annex 5.

Current improvement efforts:

In its Covid-19 Economic Relief Plan (CERP) the GoM laid out steps to increase the Covid-19 Fund and Contingency Fund through: (1) budget reallocations, (2) improved budget flexibility and responsiveness, and (3) increased access to Covid-19 related development financing.[19] Efforts toward these goals were initiated in April 2020.

Dimension rating: A

PI-3 Revenue outturn

Accurate revenue forecasts are a key input in the preparation of a credible budget. Inaccurate revenue forecasts can lead to unreasonably large expenditure allocations that will eventually require reductions in spending or an increase in borrowing to sustain the spending level. This indicator is intended to assess the quality of revenue forecasting by comparing revenue estimates in the original approved budget with actual domestic revenue collection based on tax and non-tax revenues, and grants. All figures are actuals (A) and have been audited. This indicator covers the last three completed fiscal years: 2015/16, 2016/17 and 2017/18.

Data used to assess this indicator was collected from translated summaries of the original approved revenue estimates and actual outturns which were obtained from the Budget Department and the Treasury Department. Initial targets for revenue are calculated by each of the revenue collecting ministries (including SEEs). Some revenue forecasting is being introduced, for the fiscal years used to assess this indicator these estimates were mostly based on historic collection. Information on actual revenues is collected by MOPFI on a monthly basis from the line ministries. This data is audited annually by the OAG.

Most sources or revenue are non-tax with the largest source of domestic revenue coming from SEEs.[20] Some dependence of SEE revenue from natural resources may affect revenue volatility, particularly from oil and gas. Nearly all of tax revenue is collected by the MOPFI and is discussed in more detail in PI-19 and PI-20. Financial revenue (e.g. loans, including from development partners) also contributes to the overall budgetary resources (about 11% budgeted for 2017/18 fiscal year).

19 Myanmar CERP, 2020 Goal 7.1

20 Revenues from SEEs accounted to around 38.5% of budgeted revenue for 2017/18.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-3. Revenue outturn	**B**	**Overall rating based on M2 methodology**
3.1 Aggregate revenue outturn	A	Actual revenue was between 97% and 106% of budgeted revenue in the two of the last three completed fiscal years
3.2 Revenue composition outturn	C	Variance in revenue composition was less than 15% in two of the last three completed fiscal years.

3.1. Aggregate revenue outturn

This dimension indicates the variance between the original revenue forecasts, as approved by Parliament, and the actual revenue outturn. An 'A' rating requires a variance of between 97% to 106% of forecast revenue for at least two out of three most recent years for an A rating. All aggregate figures used to rate this dimension were actuals (A) and have been audited. The aggregate revenue outturn achieved was 97.6%, 99.9% and 107.3% for the fiscal years 2015/16, 2016/17 and 2017/18 respectively. The data and resulting overall variances that were used to calculate the percentages achieved are shown in **Table 3.2**.

Dimension rating: A

TABLE 3.2: Original budget and actual revenue

	FY 2015/16	FY 2016/17	FY 2017/18
Budget (MMK million)	17,000,051	16,978,992	16,604,597
Actual (MMK million)	16,598,955	16,969,675	17,811,530
% Outturn	97.6%	99.9%	107.3%

Source: MOPFI

3.2. Revenue composition outturn

This dimension of revenue outturn measures the variance in revenue composition during the last three completed fiscal years. It captures the accuracy of revenue forecasts and the ability of the GOM to collect the amounts of each category of revenues as intended. A variance of less than 5% for at least two out of three most recent fiscal years is the criteria for an 'A' rating.

The score for this dimension was calculated using the PEFA Secretariat's spreadsheet in the format provided by the MOPFI, as presented in the Annex 5. The revenue composition outturn was 7.6%, 12.7% and 20.3% for the fiscal years 2015/16, 2016/17 and 2017/18 respectively, lower than 15% in two of the three most recent fiscal years.

Dimension rating: C

Current improvement efforts:

The World Bank and IMF are providing technical assistance to GOM to improve revenue forecasting for different sources of revenue.

3.2 PILLAR TWO: Transparency of public finances

PI-4 Budget classification

This indicator has one dimension to assess the extent to which the government budget and accounts classification is consistent with international standards and can allow for the tracking of transactions throughout the entire budget cycle for the last completed fiscal year, 2017/18.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-4. Budget classification	**B**	Budget documentation using the GFS standard is not used internally for budget formulation, execution or reporting. However, the MOPFI is able to produce budget documentation based on administrative and economic classifications using the GFS standard at 4 digits, and functional classification using COFOG standards. These are used for external reporting and the publication of fiscal information online on MOPFI's website.
4.1 Budget classification	B	

4.1. Budget classification

Myanmar's budget classification system primarily uses a structure according to administrative categories (e.g., ministries and departments, SEEs) as well as economic categories. The overall structure remains largely consistent with that used at the time of previous PEFA assessment (described in PI-5 of the 2013 Myanmar PEFA assessment). However, there have been some changes since the previous assessment, including the amendment of the budget accounting codes in 2016 and improved alignment with GFS starting in 2018.

The budget classification structure specifies a set of broad economic categories (revenue and expenditure with types of items under current, capital and financial) under each Ministry as a group accounting head. This is then presented for sub-ministry (secondary) entities (departments and SEEs) and (tertiary) administrative sections. Categories for recurrent economic classifications include items like salary, travel expenses, maintenance, goods and services, and transfer payments. Capital expenditure classifications include sub-heads for project investment, works investment, and office equipment. This structure is used for formulating, executing, and reporting on the budget. The budget classification structure differs for SEEs, which, for example, includes a longer list of sub-heads for recurrent economic expenditure covering items like pension, purchase of raw materials, operating expense, interest, research, expenses related to sales and distribution, taxes and contributions to the Union.

The revenue structure provides categorization for the main sources of revenue including taxation. These categories include revenues from SEEs, contributions from SEEs, interest receipts, grants and aid receipts, taxation (such as taxes levied on production and consumption – like commercial and excise taxes – on income, and those levied on state owned properties – like land, fisheries, minerals, production of oil and natural gas), capital and financial revenue.

The Budget Department of the MOPFI can now produce budget documentation based on administrative and economic classifications using the GFS standard at 4 digits, and functional classification using COFOG standards. Budget documentation using the GFS standard classifications are not used internally for budget formulation, execution or reporting. Rather they are used for the external reporting to the IMF but are published on the IMF's website alongside the standard GOM classification. The translation from the standard GOM classification into GFS is facilitated by a series of excel based conversion sheets, that were produced with technical assistance from the IMF. Documentation consistent with GFS is also published on the MOPFI website covering the period from 2012/13 to 2019/20 fiscal year.

Although the MOPFI doesn't use internationally accepted standards for internal purposes, it is able to produce GFS and COFOG comparable information.
Dimension rating: B

PI-5 Budget documentation

This indicator assesses the comprehensiveness of the budget process and the annual budget documentation submitted to Parliament for scrutiny and approval. The draft annual budget and supporting documentation should contain all the necessary information on the government's budget policy and priorities for proper review, scrutiny and approval by Parliament. This indicator has one dimension to assess the comprehensiveness of information, verified against a specific list of "basic" and "additional" items. Rating A requires the budget documentation to include at least ten elements (four of which are "basic") from a list of twelve.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-5. Budget documentation	**B**	Documentation submitted to the Parliament as part of the Executive's budget proposal for the 2019/20 FY fulfills 4 basic elements and 4 additional elements.
5.1 Budget documentation	B	

5.1. Budget documentation

This dimension assesses the last budget submitted to the legislature, covering the 2019/20 fiscal year. The documentation submitted to Parliament was assessed against all the elements required by international good practice based on four core elements and eight additional ones. **Table 3.3** summarizes the information provided in the annual budget documentation in Myanmar assessed for this indicator. As part of the validation process the evidence was discussed in detail with the Budget Department of the MOPFI.

Six of the budget documents submitted to the Parliament for the 2019/20 FY were published on the MOPFI website[21] within 1 week of submission to the legislature. These six documents were: the budget summary book, budget and budget bill, the budget brief, the budget speech, proposals for SEEs, and the Financial Commission Endorsement and Excerpt.

21 https://www.MOPFI.gov.mm/en/blog/47/143/10599

Four basic elements and four additional elements were included as part of the documentation submitted to the Parliament in the Executive's budget proposal for the 2019/20 FY.

Dimension rating: B

TABLE 3.3: Comprehensiveness of the information provided in the annual budget documentation

Element / Requirements	Met (Y/N)	Evidence used / Comments
1. Forecast of the fiscal deficit or surplus or accrual operating result	Yes	Submitted via the Minister's budget speech.
2. Previous year's budget outturn presented in the same format as the budget proposal.	Yes	Submitted via the Minister's budget speech.
3. Current fiscal year's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Yes	Submitted via the Minister's budget speech.
4. Aggregated budget data for both revenues and expenditures according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates.	Yes	Submitted via the budget's summary book.
Additional elements		
5. Deficit financing, describing its anticipated composition.	Yes	Submitted via the Minister's budget speech and the budget summary book.
6. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	No	Assumptions on interest are not presented to the legislature as part of budget proposal.
7. Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	Yes	Submitted via the Minister's budget speech and the budget summary book.
8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	Yes	The flow of financial assets for the upcoming fiscal year is submitted via the Minister's budget speech and the budget summary book.
9. Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public-private partnership (PPP) contracts, and so on.	No	No information on fiscal risks and contingent liabilities is provided to the legislature as part of budget proposal.
10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs	Yes	Explanation of the change to electricity tariffs in 2019/20 was used as evidence. This was submitted via the Minister's budget speech that included a paragraph that highlighted the change in policy to reduce the electricity subsidies and the associated budgetary impact for the fiscal year quantified at around MMK 500 billion.
11. Documentation on the medium-term fiscal forecasts.	No	This was not submitted as part of the initial budget package to Parliament. Although some documentation may have been shared during follow-up sessions with Parliament.
12. Quantification of tax expenditures	No	Tax expenditures are not estimated and hence not reflected in any budget documentation or tax bills presented to Parliament.

PI-6 Central government operations outside financial reports

This indicator assesses the extent to which Government revenue and expenditure are reported outside the central government financial reports. The period covered is the last completed fiscal year, 2017/18.

The extrabudgetary entities identified for this indicator are as follows:

- Nay Pyi Taw Council, Nay Pyi Taw Development Committee
- State Owned Organizations undertaken outside the Union Fund (self-funded)
  - Myanmar Port Authority (Ministry of Transport and Communications)
  - Myanmar Shipyards (Ministry of Transport and Communications)
  - Myanmar National Airlines (Ministry of Transport and Communications)
  - Yangon Electricity Supply Corporation (Ministry of Electricity and Energy)
  - Mandalay Electricity Supply Corporation (Ministry of Electricity and Energy)
- Social Security Board

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-6. Central government operations outside financial reports	**B**	**Overall rating based on M2 methodology**
6.1 Extent of expenditure outside the GOM's financial reports	A	Aggregate expenditure figures of all identified budgetary and extrabudgetary units are included in financial reports (e.g. Treasury Department's statements).
6.2 Revenue outside the GOM's financial reports	A	Aggregate revenue figures of all identified budgetary and extrabudgetary units are included in the financial reports.
6.3 Financial reports of extrabudgetary units	D	Detailed financial data from at least most extrabudgetary units is consolidated by the Treasury Department within five months of the end of the fiscal year. There was no evidence of detailed financial reports being submitted to MOPFI by all of the extrabudgetary units. The Assessment Team was not able to establish that reports included information on assets and liabilities for SEEs, guarantees and long-term obligations.

6.1. Expenditure outside GOM's financial reports

This dimension assesses the magnitude of expenditures incurred by budgetary and extrabudgetary units (including social security funds) that are not reported in the government's financial reports. Such expenditures may include expenditures by budgetary and extrabudgetary units outside the approved budget, as well as expenditures on externally funded projects and activities where these are not reported in central government financial reports. Reports produced by the Treasury Department were used to assess this dimension.

All expenditure by State Economic Enterprises and entities identified as extrabudgetary for this performance indicator are included in GOM financial reports, as evidenced though the monthly statements produced by the Treasury Department). Although only aggregate figures (e.g. current and capital expenditure) are reported, a more detailed breakdown is available internally. Nay Pyi Taw

Council, Yangon Electricity Supply Corporation, Mandalay Electricity Supply Corporation and Social Security Fund are reported as separate lines. The extrabudgetary entities under the Ministry of Transport and Communication (Myanmar Port Authority, Myanmar Shipyards and Myanmar National Airlines) are reported in aggregate as part of the total Ministry figures. The monthly statements by the Treasury Department also include aggregate figures reported by States and Regions (subnational budgets). Budget Department offices in each State and Region report to the Treasury Department on monthly basis, however these reports could take up to 2 months to produce from the end of the month. Based on the available information available, 0% of expenditure by budgetary and identified extrabudgetary units are considered to be outside government financial reports.

Dimension rating: A

6.2. Revenue outside GOM's financial reports

This dimension assesses the magnitude of revenues received by budgetary and extrabudgetary units (including social security funds) that are not reported in the government's financial reports. Such revenues may include those received by extrabudgetary units from budgetary transfers or other revenues, revenue from donor-funded projects, and fees and charges outside the type or amounts approved by the budget, where any of these are not reported in central government financial reports.

Similar to expenditure the revenue information of all enmities identified as extrabudgetary are included in GOM financial reports. Donor contributions, both in cash and in-kind are included in aggregate revenue figures in the budget execution reports. Based on the available information available, 0% of revenue by budgetary and identified extrabudgetary units is considered outside government financial reports.

Dimension rating: A

6.3. Financial reports of extrabudgetary units

This dimension assesses the extent to which ex-post financial reports of extrabudgetary units are provided to central government. Annual financial reports should be comprehensive and provided in a timely manner consistent with budgetary central government reporting requirements (see PI-29). Information should include details of actual revenue and expenditure, assets and liabilities, and guarantees and long-term obligations.

The financial rules and regulations of 2017 do not specify reporting requirements for entities operating outside the Union fund. Paragraph 279 stipulates a requirement for the Treasury Department to consolidate account information for entities operating under the Union fund. The annual report consolidated by the Treasury Department for 2017/18 FY includes all extrabudgetary units identified during this assessment. These reports include details of actual revenue and expenditure categorized as recurrent, capital and financial (for recurrent spending a breakdown is presented for salary, maintenance etc.) as well budget implementation figures relative to the approved budget. Given the timing for submission to external audit (assessed in PI-29) it is judged that these reports were prepared within 5-months of the end of the 2017/18 FY.

These reports suggest that extrabudgetary units disclose information on actual expenditure and revenue. The Assessment Team was not able to establish that reports included information on assets and liabilities for SEEs, guarantees and long-term obligations.

Dimension rating: D

PI-7 Transfers to subnational governments

This indicator assesses the allocative transparency of transfers from central government to States and Regions through a transparent, rules-based systems. It evaluates whether transfers are transparently designed and executed, predictable and timely in order to facilitate subnational budget planning. The last completed full fiscal year, 2017/18, is covered for the two dimensions of this indicator.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-7. Transfers to subnational governments	**A**	**Overall rating based on M2 methodology**
7.1 System for allocating transfers	A	The allocations of the three types of transfers from the Union to subnational governments are made based on objective rules reflecting historic composition, a transfer formula, the amount of actual tax collection for four specified tax types, and a set amount per township.
7.2 Timeliness of information on transfers	A	States and Regions were provided with information on the amounts of these transfers from the Union in November, more than two months before the start of the 2017/18 fiscal year in April. This allows at least six weeks to for them complete their budget planning process.

7.1. System for allocating transfers

This dimension suggests that there should be a transparent distribution between all subnational governments (horizontal allocation) based on rules to ensure predictability and transparency of their resources. It does not establish criteria for the total amount that should be transferred (vertical allocation) from the central government to subnational governments. Rating ‘A’ requires the horizontal allocation of all (over 90% of) transfers from central government to subnational governments to be determined by transparent, rule-based systems.

The system of intergovernmental transfers has been considerably redesigned in recent years, which has resulted in improvements in transparency, predictability, efficiency and equity. Prior to 2015/16 the Union provided several smaller piecemeal transfers to State and Region governments. These included township development and management funds, regional development and poverty alleviation funds, plus various project-specific transfers of funds. This patchwork of transfers has gradually been replaced with three instruments – revenue sharing, an unconditional general-purpose grant transfer and the Constituency Development Fund (CDF). These grants are fully discretionary for State/Region governments to use (i.e. there are no tied or conditional grants). The rules of allocation for the three types of transfers are discussed in **Table 3.4A** below. Horizontal allocation for all[22] transfers is set using objective and transparent criteria, thus satisfying the criteria for rating ‘A’.

22 “All” is defined in the PEFA Field guide as: over 90%, which is satisfied by the evidence provided.

TABLE 3.4A: Transfers to subnational governments

Transfer	Share (%) in 2017/18	Description
General-purpose 'deficit' grant transfer	87.2%	After years of 'fiscal-gap-filling' transfer arrangements, from 2015/16 these grants became 'formula-based'. The formula is only applied to the marginal amount after ensuring that States and Regions receive at least as much transfer funding as the previous fiscal year. This ensures some stability of transfers across years, but this is at the cost of providing a tool for targeting horizontal equity. Currently, approximately only 6 percent of the general-purpose grant divisible pool is allocated via the formula (6 indicators measuring fiscal need and fiscal constraints). The 94% represents the historic distribution of about 1.5 trillion Kyat before the MTFF reforms in 2015/16. Thus, the rules encompass a combination of historic and formula-based allocation of resources, which the Assessment Team considers objective and transparent. In addition, it is worth noting that the actual amount of resources may differ from the initial budgetary allocations. However, these deviations are not large (less than 10%, see table below), mostly reflecting administrative challenges[23]. The actual (horizontal) allocation shares to each state and region are predominantly driven by the rules; they are almost exactly the same as what was set by the rules.
Union tax-sharing	11.1%	The Union government shares 15% of commercial tax and special goods tax, 5% of individual income tax and 2% of stamp duty tax to the state/region where IRD collecting office is located. This comprised around 11% of overall State/Region revenues in 2017/18, with the lion's share going to the Yangon Region. A change to the distribution mechanism for shared taxes was implemented in 2017/18 which shifted allocations away from Yangon Region towards other subnational governments. It is understood that 15% of the commercial and special goods tax receipts collected from the largest State Economic Enterprises (SEEs) at the Yangon Large Taxpayers Office (LTO) is now allocated across states/regions in accordance with the formula used for the general-purpose grant transfer. The result of the change is that Yangon Region's share of the tax sharing has decreased from nearly 87% in 2016/17 FY to 56% in 2017/18 FY. Low- quality Union revenue forecasts imply that in-year adjustments are made to the revenue shared with States and Regions.
Constituency Development Fund (CDF)	1.7%	A flat grant of MMK 100 million to each township, spending from which is largely the prerogative of MPs.

23 In year- adjustments; The administration of transfers is fragmented, with different entities responsible for the administration of different streams. The general-purpose transfer is administered by the Budget Department within the MOPFI; the revenue sharing is managed by the Internal Revenue Department (IRD) and the Constituency Development Fund amounts are directly decided by the Union Hluttaw. There appears some operational cohesion between the administrative units with adjustments made to the general-purpose grant to account for the distributional outcomes and in-year variations of Union shared taxes. This, however, is performed in-year and not necessarily reflecting a systematic interaction between the two transfers. This institutional fragmentation leads to ad-hoc policy adjustments, which undermines the predictability and transparency of transfers. In-year adjustments are also made to transfer amounts to reflect state and region cash balances, which are, at least in part, impacted by some unpredictability of revenue sharing amounts, as the quality of revenue forecasting at the start of the year is still weak. These adjustments do not appear to be large but illustrate weaknesses in the system.

TABLE 3.4B: Deviations in the general-purpose grant transfer, 2017/18 FY

State/Region	% share of resources from general-purpose grant transfer		
	set by rules	actually received	difference
Kachin State	9.0%	9.1%	-0.1%
Kayah State	3.0%	2.9%	0.1%
Kayin State	4.4%	4.3%	0.1%
Chin State	7.8%	8.0%	-0.3%
Sagaing Region	10.4%	10.3%	0.1%
Tanintharyi Region	8.6%	8.0%	0.5%
Bago Region	7.5%	7.2%	0.3%
Magway Region	8.4%	8.7%	-0.4%
Mandalay Region	6.3%	6.0%	0.4%
Mon State	4.2%	4.5%	-0.3%
Rakhine State	8.3%	9.2%	-0.8%
Yangon Region	2.4%	1.9%	0.5%
Shan State	12.8%	13.0%	-0.2%
Ayeyarwaddy Region	6.9%	6.8%	0.1%
Total	100.0%	100.0%	0.0%
Total (in MMK in Million)	1,707,580	1,568,188	8.9%

Source: MOPFI

Dimension rating: A

7.2. Timeliness of information on transfers

This dimension measures the extent to which subnational governments receive reliable information on their allocations from the Union government for the upcoming fiscal year and in advance of their budget preparation. An 'A' rating requires subnational governments to be provided with clear and sufficiently detailed information on their transfers to allow at least 6 weeks to complete their budget planning on time.

Transfer amounts for the general-purpose grant, tax revenue-sharing and CDF for 2017/18 FY were communicated in November of 2016, more than two months before the start of the fiscal year in April of 2017 and before the submission of the proposed budget bill to the parliament for approval. The transfer amounts are communicated via a formal letter to each subnational government, through regular budget calendar, highlighting the amounts and justification (including the description of the 6 formula indicators for the general-purpose grant).

The government of Yangon Region has submitted its budget proposal on 1st of December 2016 and its Budget Bill on 21st of March 2017, before passing the budget law on March 30th, 2017. The government of Shan State has submitted its budget proposal on 5th of December 2016 and its Budget Bill on 16th of March 2017, before passing the budget law on March 22nd, 2017.

Dimension rating: A

PI-8 Performance information for service delivery

This indicator examines the service delivery performance information in the Executive's budget proposal or its supporting documentation in year-end reports. It focuses on the availability, coverage, and timeliness of performance information on the delivery of public services and on the extent to which such information is likely to promote improvements in the effectiveness and operational efficiency of those services. The inclusion of performance information within budgetary documentation strengthens the accountability of the Executive for the planned and achieved outputs and outcomes of government programs and services.

Assessing a functional perspective on service delivery in Myanmar is impractical. For example, included among the Ministries providing health care to their employees and dependents are the Ministries of Defence, Industry, Home and Transport and City Development Committees in Yangon, Mandalay and Nay Pyi Taw. Social security board under Ministry of Labour, Immigration and Population has set up multiple social security hospitals and more than one hundred social security clinics to render services to those entitled under the social security scheme. Given data limitations and impracticality of collecting data on service delivery from multiple entities this indicator has required a sampling approach to be used to assess the coverage of operations. Three ministries were sampled (I) Ministry of Health and Sports (MOHS), (ii) Ministry of Education (MOE) and (iii) Ministry of Agriculture, Livestock and Irrigation (MOALI). The three sampled ministries are considered the largest public service providers in their respective sectors (e.g. MOE being the largest public provider of education services) and combined accounted for nearly a fifth (19.1%) of the approved budget in 2017/18 fiscal year[24]. More specifically, MOHS accounted for 5.22% of the approved budget during the same year, MOE for 8.53% and MOALI for 5.43%.[25]

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-8. Performance information for service delivery	**C+**	**Overall rating based on M2 methodology**
8.1 Performance plans for service delivery	B	Plans for each line Ministry are detailed and made public annually in Annex 3 of the Annual Plan submitted to the Parliament. It covers both capital and recurrent spending, outlining objectives, targets for the coming fiscal year.
8.2 Performance achieved for service delivery	C	Two of the three sampled Ministries (the majority) have published annual reports with information on activities and outputs covering 2017/18 fiscal year.
8.3 Resources received by service delivery units	C	Resource flows to service delivery units in education and health are recorded as part of the annual budget process. This information was not relayed to higher level offices and was not reported on. However, it was available at the township level offices for the respective service delivery units under their jurisdiction.
8.4 Performance evaluation for service delivery	C	Annual reviews are conducted and present a range of statistics and key planning information. The majority of sampled Ministries publish evaluations on the efficiency or effectiveness of service delivery.

24 As evidenced by the 2017/18 citizen's budget

25 The only other ministries that accounted for a larger share of the approved budget are Electricity and Energy (21.8%), Defense (14.16%) and MOPFI (23.49%).

8.1. Performance plans for service delivery

This dimension assesses whether performance information about planned outputs and outcomes services are included in the executive's budget proposal or related documentation for the 2019/20 fiscal year. An 'A' rating requires that information be published annually on policy or program objectives, key performance indicators, outputs to be produced, and the outcomes planned for most Ministries, disaggregated by program or function.

The three sampled line Ministries publish a number of medium-long term (5 years or longer) strategic documents on their websites. The most immediate plans over a fiscal year tend to be communicated via television or newspapers. The content may include activity plans in specific communities and updates on implementation of important projects. Line Ministries don't consistently publish formal performance plans for the upcoming fiscal year, instead this information is made public through a centralized process. This information was not disaggregated at a program or function level for the sampled service delivery Ministries.

The program objectives, targets and respective key performance indicators for the planned outputs to be financed through the Union government budget are presented to the Parliament in Annex 3 of the Annual Plan which is published annually before the beginning of each fiscal year. The function of aggregating and coordinating this information is the responsibility of MOPFI.

All line Ministries are expected to provide information on their objectives, plans and targets as part of the planning process (in Annex 3 of the planning law). This was confirmed for the three sampled line Ministries. Although information on targets and outcome indicators is formally available, it was not determined whether the use of performance terminology was applied consistently across all line Ministries. Examples of targets include enrolment rates and teacher to student ratios in the education sector; pregnancy deaths and births delivered with midwives for the health sector. Some targets are referenced to the outcomes of the previous year.

For 2019/20 fiscal year, line Ministries were also expected to justify and link their activities and plans to the MSDP, the GOM's recently articulated long-term strategic plan. Interviews conducted for the assessment suggested that line Ministries have incorporated MSDP's strategic vision into their planning process but the link to the annual budget has not yet been established. More broadly, the extent to which strategic plans are incorporated with line Ministries budgeting systems appears weak, with limited mechanisms to assess priority activities and determine budget allocations in future years.

Dimension rating: B

8.2. Performance achieved for service delivery

This dimension examines the extent to which performance results for outputs and outcomes are presented either in the Executive's budget proposal or in an annual report or other public document, in a format and at a level (program or unit) that is comparable to the plans previously adopted within the budget. This dimension covers information for the last completed fiscal year, 2017/18. An 'A' rating requires information to be published annually on the quantity of outputs produced and outcomes achieved for most Ministries disaggregated by program or function.

The *Ministry of Agriculture, Livestock and Irrigation* issues annual reports available to public in paper form. The 2018 reports included information on activities and outputs for 2018. They cover budgetary information for the year as well as a description of inputs and outputs in the relevant sectors under the Ministry's mandate.

The *Ministry of Education* issues annual performance reports in paper form. Although the publication announcement for the report covering 2017/18 FY is made on the website, the report was not made available online but was presented upon request. The Assessment Team was provided with the reports covering the 2016/17 and 2017/18 FYs. The MOE also published information on some of its annual outputs in the news section of its website.

The *Ministry of Health and Sports* produces annual reports covering annual hospital statistics and annual public health statistics. In the past, these reports took at least a year to produce given the difficulties associated with paper-based data collection and aggregation from the vast network of health facilities across the country. These reports were not produced for the last two completed fiscal years. This could partly be due to the Ministry's efforts to move from the paper-based system to the electronic health information system (DHIS2). The Ministry is said to be now able to get township level information with improved timing and accuracy of data. The report for 2017/18 has been finalized and is awaiting publication. The Ministry's website also contains a three year achievement report.

Based on the available information two of the three (the majority) of sampled service delivery line Ministries had published annual reports on its activities and outputs for 2017/18 FY. Although no direct reference is made to planning laws, the sampled ministries appear to report on activities relating to at least some targets identified by the Assessment Team in the planning documents. No deviations in actual performance is explained.

Dimension rating: C

8.3. Resources received by service delivery units

This dimension measures the availability of information of resources actually received by service delivery units for at least two large service delivery Ministries. The Ministry of Education and Ministry of Health of Sports were sampled for this dimension, covering the last three completed fiscal years. An 'A' rating requires the information on resources received by frontline service delivery units to be collected and recorded for at least two large ministries, disaggregated by source of funds. A report compiling the information should be prepared at least annually.

Information on resources received by service delivery units in health (clinics) and education (schools) is recorded and aggregated at the township level as part of the annual budgeting process. Cash drawing rights from Ministry accounts are set at a township level office, which may have numerous service delivery units in its jurisdiction. Further distribution of resources from a township office to service delivery units is recorded. This information is then aggregated to budget items to summarize activities of a given township and reported upwards. Although the information on resources to specific delivery units is not relayed to offices higher than the township nor is it compiled into a report, it is available at township level offices. A more systematic aggregation and use of such information could prompt a higher rating in the future.

Dimension rating: C

8.4. Performance evaluation for service delivery

This dimension assesses the degree to which the efficiency and effectiveness of services are assessed through performance evaluations in a systematic way between 2015/16 and 2017/18 fiscal years. The Ministry of Education and the Ministry of Agriculture, Livestock and Irrigation were sampled to assess this dimension. Both Ministries conduct an internal review. 'Good practice' envisages independent evaluations of the efficiency and effectiveness of service delivery to be carried out and published for most Ministries at least once within the last three years.

The *Ministry of Education* published its performance review reports for the 2016/17[26] and 2017/18 fiscal years. The evaluation was conducted by the Department of Monitoring and Evaluation (DM&E). The reviews included the achievements of National Education Strategic Plan (NESP) targets and outcomes, and the evaluation of the annual budget expenditure and outputs. The 2016/17 report provided an introduction to the quantitative framework used for the evaluation but given the pilot stage of the framework, the scores were not made public. However, the majority of the findings from the evaluation were said to be included in the report. Metrics in both reports were presented for each department (sub-sector), covering a range of indicators and outputs like student versus teacher ratios, pass rates by grade, literacy rates, construction and upgrades of classrooms and other buildings, school grants, provision of stipends and trainings etc. It also listed achievements and challenges for each department. The 2017/18 report includes a section on output evaluation, highlighting budget savings, and a range of performance metrics (for the achievement of outputs, quality of output scores, expenditure performance). This is presented for each department along with the amount of money spent towards each strategic objective (e.g. expand equitable access to higher education) as well as a list of achievements (e.g. teachers appointed, classrooms constructed, stipends provided).[27]

The *Ministry of Agriculture, Livestock and Irrigation* produces annual reports which include performance measures and reported achievements against the stated targets. Unlike MOE, there was no formal evaluation framework or scoring of performance as part of the evaluation. The report titled "Myanmar Agriculture Sector in Brief" is published annually and covers the administrative structure of the Ministry, data on budgets and personnel, the Ministry's vision, mission, policies, and objectives. Performance information was presented in both quantitative and narrative format for a range of activities and advances made in: production, land use, agricultural land development, irrigation, mechanization, livestock, husbandry practices, vaccinations, fisheries, rural infrastructure (e.g. electrify and rural roads), microfinance, etc. Donor funded projects were also listed, highlighting the value, funding agency, implementing department, duration, and project location. More detailed information (e.g. number of villages, amount spent per village, modality and the objectives) was also presented for selected projects.

The Assessment Team determined that the majority of sampled Ministries carried out and published evaluations into how they convert their inputs (resources) into outputs or the extent to which targets are being met. The quality of current evaluations (and rating) could be improved in the future by incorporating both how well inputs are converted into outputs (efficiency) and by measuring the extent to which stated targets are met (effectiveness). A further step forward would require conducting independent reviews by agencies other than the implementing service delivery agency.

26 The 2016/17 report covered 95% of the Ministry's budget

27 Although the reports are public, the Assessment Team was not able to access them via the Ministry website. Public disclosure of such information can be improved for easier access to information.

Although annual reviews were conducted and reports prepared on a range of statistics and key planning information, it was unclear how these were incorporated or linked back to the planning and budgeting process.[28]

Dimension rating: C

Current improvement efforts:

OAG pilot performance audits have started in 2019 (supported by EU).

PI-9 Public access to fiscal information

Fiscal transparency is an important element of effective fiscal management. It depends on whether information on government fiscal plans, positions and performance is easily accessible to the public. This indicator assesses the comprehensiveness of fiscal information available to the public for the last completed fiscal year, 2017/18, based on specified elements of information to which public access is considered critical. The evidence to assess this indicator was discussed with the Budget Department and OAGM.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-9. Public access to fiscal information	**B**	GOM makes 6 of the assessed documents available to the public through the MOPFI website. This includes 4 basic elements and 2 additional elements.
9.1 Public access to fiscal information	B	

9.1. Public access to fiscal information

The GOM uses various communication tools in disseminating information. For fiscal information, it is primarily made available to the public through the MOPFI's website (https://www.MOPFI.gov.mm/en), and the publication of the Citizen's Budgets. The comprehensiveness of fiscal information available to the public was assessed against all the elements required by international good practice based on five core elements and four additional ones, summarized in Table 3.5. Four basic elements and two additional elements covering the 2017/18 fiscal year were made available to the public online.

Current improvement efforts:

The budget department has indicated plans to build on the issuance of the Citizen budget (for 2020/21 fiscal year) towards an open budget online portal. This is understood to be under progress but delayed due to the COVID-19 outbreak.

28 The challenge may partly lie in the budget templates. MOPFI budget submission templates are input focused, while a lot of these sectorial forms and evaluations are output focused (quantities of paddy output, number of schools, etc.).

TABLE 3.5: Elements Determining Public Access to Fiscal Information

Element / Requirements	Met (Y/N)	Evidence used / Comments
1. **Annual Executive budget proposal documentation.** A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the Executive's sub- mission of them to the legislature.	Yes	The Executive's budget proposal documentation was made available to the public within one week of its submission to the legislature. It was also made available on the MOPFI website within a week after submission to the legislature for the subsequent Executive proposals for the 2018/19 and 2019/20 FYs .
2. **Enacted budget.** The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	Yes	The enacted budget law was made public within two weeks on the MOPFI website .
3. **In-year budget execution reports.** The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27.	Yes	The four quarterly budget execution reports for the 2017/18 FY were published by the Budget Department on the website within one month from their issuance .
4. **Annual budget execution report.** The report is made available to the public within six months of the fiscal year's end.	Yes	The annual budget execution report was published on the website in August 2018, i.e. within 6 months of the end of the 2017/18 FY in March 2018 .
5. **Audited annual financial report, incorporating or accompanied by the external auditor's report.** The reports are made available to the public within twelve months of the fiscal year's end.	No	The audited annual financial report was not made available to the public.
Additional elements		
6. **Prebudget statement.** The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.	Yes	The identified items of information are covered as part of the formal submission of the Minister's budget speech to the Parliament for 2017/18 FY. The submission was made in November of 2017 and was made public within a week, more than four months before the start of the fiscal year in April 2018.
7. **Other external audit reports.** All nonconfidential reports on central government consolidated operations are made available to the public within six months of submission.	No	No other external audit reports were made available to the public.
8. **Summary of the budget proposal.** A clear, simple summary of the executive budget proposal or the enacted budget accessible to the nonbudget experts, often referred to as a "citizens' budget," and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget's approval.	Yes	A summary of the budget proposal submitted to the legislature was made available to the public within 2 weeks of submission and was thus assessed to fulfil the requirements for this element. The citizen's budget was made available to public to provide a summary of the enacted budget for nonbudget experts. However, in 2017/18 FY it was only published within two months of the budget's approval, not within two weeks as required for this element.
9. **Macroeconomic forecasts.** The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.	No	The forecasts are made available to the public on the MOPFI website as part of the budget proposal documentation - within one week of submission to legislature. These include forecasts for GDP, inflation but exclude information on interest rates.

Dimension rating: B

29 https://www.MOPFI.gov.mm/en/blog/47/143/10599
30 https://www.MOPFI.gov.mm/en/page/finance/ရသုံးမှန်ခြေငွေစာရင်းဦးစီးဌာန/732
31 https://www.MOPFI.gov.mm/my/page/finance/ရသုံးမှန်ခြေငွေစာရင်းဦးစီးဌာန/800
32 https://www.MOPFI.gov.mm/my/blog/47/143/1853

3.3 PILLAR THREE: Management of assets and liabilities

PI-10 Fiscal risk reporting

This indicator measures the extent to which fiscal risks to the central government are reported. Fiscal risks could arise from adverse macro-economic situations, financial positions, or subnational governments or public corporations, in addition to contingent liabilities from government programs and activities. The scope of the three dimensions of this indicator is the last completed fiscal year, 2017/18.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-10. Fiscal risk reporting	**D**	**Overall rating based on M2 methodology**
10.1 Monitoring of public corporations	D	MOPFI – PAPRD receive annual financial statements from all SEEs but it was not possible to determine the date they were received.
10.2 Monitoring of subnational governments	D	Regional OAGs conduct the audits of the various Departments in respective States or Regions. They are submitted to the local Parliament and Chief Minister but are not made public. It was not possible to determine the dates the audits were completed as access to the audit reports was not available. Consolidated financial statements are not prepared by individual States and Regions. Subnational financial statements are not consolidated into higher Union level documentation.
10.3 Contingent liabilities and other fiscal risks	D	The GOM does not prepare a report on contingent liabilities and other fiscal risks.

10.1. Monitoring of public corporations

This dimension assesses the extent to which information on public corporation financial performance and associated fiscal risks was available through annual audited financial statements. It also assesses the extent to which GOM prepares and publishes an annual consolidated report financial performance of public corporations.

All SEEs prepare partial accrual based financial statements and these are audited by the OAGM (or in limited cases by private sector auditors). None of these are published although some limited information is included in the Citizens Budget. The financial statements themselves are of varying quality and most do not usually include the key disclosures normally expected (accounting policies, related party transactions, commitments and contingencies, subsequent events). As a result, they do not provide the information needed by users to enable them to determine whether the financial statements are fairly stated. Further, they do not provide a basis for proper monitoring of fiscal risks, policy decision making or whether the value of GOM's ownership interest has been maintained.

The sector line Ministries have the responsibility for monitoring the performance under their control. PAPRD and the SEEs division of the Budget Department have limited scope in their monitoring roles. As a consequence, there is no effective monitoring of the SEE sector performance and fiscal risks by MOPFI or any other central agency. PAPRD does receive copies of the SEE financial statements without the audit reports attached. They prepare rudimentary summary information which is sent to the President's office. No consolidated report on the SEE sector financial performance and financial position is published. Annex 9 provides a list of the SEEs.

There are currently five SEEs that have been corporatized:

- Myanmar Port Authority (Ministry of Transport and Communications)
- Myanmar Shipyards (Ministry of Transport and Communications)
- Myanmar National Airlines (Ministry of Transport and Communications)
- Yangon Electricity Supply Corporation (Ministry of Electricity and Energy)
- Mandalay Electricity Supply Corporation (Ministry of Electricity and Energy)

These SEEs would most closely meet the definition of a public corporation, as defined in GFS 2014, as they charge economically significant prices and do not generally receive financial support from the GOM budget.[33] There are other SEEs that would likely meet the definition of 'Public Interest Entities' (particularly State-Owned Banks and the State-Owned Insurance Company) and there could be other 'For Profit' SEEs that maybe corporatized in future.
Dimension rating: D

10.2. Monitoring of subnational governments

This dimension assesses the extent to which information on financial performance, including the central government's potential exposure to fiscal risks, is available through the audited annual financial statements of subnational governments. It also assesses whether the central government publishes a consolidated report on the financial performance of the subnational government sector annually.

Fiscal risks created by subnational governments can take the form of debt service defaults with or without guarantees issued by the central government, operational losses caused by unfunded subnational governments' quasi-fiscal operations, expenditure payment arrears, and unfunded pension obligations. Subnational governments in Myanmar cannot borrow without approval of the central government and do not appear to carry significant debt (none outside of Yangon and Mandalay). However, most subnational governments are fully reliant on central transfers, hence fiscal operations that break budget ceilings established at the beginning of the fiscal year could pose a source of risk. Each department within each State/Region prepares financial reports and sends to State and Region Budget Department monthly. Each individual State and Region Budget Department prepares consolidated financial statement and sends Treasury Department, respective State and Region OAGM and respective state and region Ministry of Planning, Finance and Industry every month. The Region/ State OAG audits these financial reports and provides individual audit opinions for each department. These are sent to the State and Region Chief Minister and Parliament. The department financial reports and the audit reports are not published. Unaudited Provisional Actual financial information is collected from the States and Regions by the Budget Department and included in the Citizen's Budget. This includes the extent to which the Union budget has financed the State/ Region government's financial deficits.

33 In one case where the Assessment Team was able to review the audited financial statements it did appear that SEE had received indirect Government support through borrowing from another SEE at below market interest rates and an extended period where no principal repayments were required. It also appeared that GOM had financed repayment of certain borrowings from an external party.

The Budget Department at the central level routinely collects fiscal information from subnational governments for the budget estimates as well as provisional actual revenue and expenditure. A consolidated view of subnational (not for individual subnational governments) fiscal operations is published on the MOPFI website using both Myanmar accounting standards and a comparison format using the GFS standard (4 digit level for the economic breakdown and COFOG for the functional breakdown): however, this does not include information on fiscal risks or contingent liabilities.
Dimension rating: D

10.3. Contingent liabilities and other fiscal risks

This dimension assesses monitoring and reporting of the central government's explicit contingent liabilities from its programs and projects, including those of extrabudgetary units. Explicit contingent liabilities include state guarantees for various types of loans—for example, mortgage loans, agriculture loans, and small business loans. Explicit contingent liabilities also include state insurance schemes, such as deposit insurance, private pension fund insurance, and crop insurance. The financial implications of ongoing litigation and court cases should be included, although these are often difficult to quantify. State guarantees for non-sovereign borrowing by private sector enterprises and guarantees on private investments of different types, including financing instruments such as public-private partnerships (PPPs), should be reported.

GOM does not prepare a report on contingent liabilities and other fiscal risks.
Dimension rating: D

Current improvement efforts:

The Government is currently in the process of considering financial sector and SEE sector reforms which may well result in significant changes to the SEE corporate governance and monitoring arrangements including future improvements in financial reporting, risk management, transparency and accountability.

PI-11. Public investment management

Public investment is a key prerequisite for achieving and sustaining economic growth, achieving strategic policy objectives and addressing national service delivery needs. This indicator assesses the economic appraisal, selection, costing and monitoring of public investment projects by the government, with a focus on the largest and most significant ones. This indicator covers all the systems involved in the public investment management function, whether externally funded investment projects or implemented through structured financing instruments. All of the dimensions for this indicator cover the last completed full fiscal year, 2017/18.

The period covered by this indicator means that the GOM's initiatives on public investment management following the 2017/18 fiscal year were not reflected in the rating. Had the creation of the project bank and the successful implementation of the associated changes been recognized a higher rating could have been achieved. The purpose and objectives of the Project bank are described in more detail at the end of this performance indicator.

The key public investment management functions, including project appraisal (11.1) and monitoring (11.4) formally sit with the Project Appraisal and Progress Reporting Department (PAPRD) within the MOPFI. In 2015, PAPRD had operated as the Progress Reporting Division under the Planning Department. It was made a separate directorate in December 2016 and several new staff were recruited, including engineers and other technical domain specialists. The reorganization was driven by the recognition of the need to strengthen project appraisal, monitoring and evaluation functions as part of the GOM's PFM reforms. As already mentioned, the recent timing of these changes means that they are not captured in the indicator's rating.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-11. Public investment management	**D**	**Overall rating based on M2 methodology**
11.1 Economic analysis of investment projects	D	Limited economic analyses were conducted (as established in national guidelines enacted in early 2019), to assess some major investment projects but the results were not published. These analyses were reviewed by an entity other than the sponsoring entity.
11.2 Investment project selection	D	Prior to their inclusion in the budget, some of the major investment projects were prioritized by a central entity, but standard selection criteria were not used.
11.3 Investment project costing	D	Projections of the total capital cost of major investment projects, together with the capital costs for the forthcoming budget year were completed however this information was not included in the budget documents.
11.4 Investment project monitoring	D	The total cost and physical progress of major investment projects are monitored by the implementing government unit and by PAPRD on a sample basis. Information on the implementation of major investment projects is prepared annually.

11.1. Economic analysis of investment projects

This dimension measures the extent to which robust appraisal methods, based on economic analysis, are used to conduct feasibility studies and pre-feasibility studies. An 'A' rating requires the economic efficiency of all major investment projects to be analysed, verified by an independent source, and published.

Feasibility studies were conducted for some major investment projects by the relevant sponsoring Ministries. Some of these were reviewed by PAPRD according to the technical and economic viability, environmental viability and social viability in Project Appraisal guidelines. However, these were not full appraisals as they only covered some aspects of feasibility studies and were based solely on the information provided by line Ministries. No information has been made public on the project appraisals completed. The Assessment Team observed a list of projects which were carried out under the Union budget with the investment amounts higher than 1% of the total capital by the MOTC during the 2018/19 fiscal year and largest investment projects under the 5 line ministries (MOALI, MOTC, MONREC, MOEE, MOC) during the 2018/19 fiscal year. The Project Appraisal guidelines were officially published in June 2019 (after the PEFA assessment period).

Dimension rating: D

11.2. Investment project selection

This dimension assesses the extent to which the project selection prioritizes investment projects against clearly defined criteria. An 'A' rating requires that all major investment projects be prioritized by an authority based on published standard selection criteria.[34]

During the 2017/18 fiscal year, Planning Department issued new project proposal forms for large projects as a pilot (information on large projects in 8-line ministries). This was done as part of a preparation phase to set up a database of large investment projects. Capital expenditure information from BOOST[35] was also developed including simple visualization/analytical tools to create a portfolio snapshot, geographical mapping, and screening for stalled projects. Prior to their inclusion in the budget, some of the major investment projects were prioritized. However, the government did not publish this information, nor did it adhere to the standard criteria for project selection.

In 2017/18, the selection process for government investment Ministry sets prioritized projects in line with GOM's policy. Most of the projects were ongoing projects from the previous year. Government investment included loans and grants from development partners.

Dimension rating: D

11.3. Investment project costing

This dimension evaluates whether the budget documentation includes medium-term projections of investment projects on a full-cost basis and whether the budget process for capital and recurrent spending is fully integrated. An 'A' rating requires medium-term cost forecasts (for both capital and current costs) across the lifetime of an investment project to be included in budget documentation.

Projections of the total capital cost of major investment projects for the forthcoming budget year were not included in the budget documents during the 2017/18 fiscal year. The current budget process also does not account for recurrent obligations related to capital investments. Moreover, a consistent application of definitions of capital and recurrent expenditure remains an issue. An increase in rating would necessitate improved accounting for recurrent obligations and costing of projects across their life cycle year-by-year.

Dimension rating: D

11.4. Investment project monitoring

This dimension assesses the extent to which prudent project monitoring and reporting arrangements are in place for ensuring value for money and fiduciary integrity. A basic level of performance requires monitoring of physical progress and financial cost of major investment projects by the implementing agency with information on implementation of major investment projects prepared annually. An 'A' rated monitoring system should maintain records on both physical and financial progress, including estimates of work in progress, and produce periodic project-monitoring reports. Such a monitoring system should cover projects from the point of approval and throughout implementation and allow supplier payments to be linked to evidence of physical progress. It would also identify deviations from plans and allow for the identification of appropriate actions in response to delayed implementation.

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34 "Standard criteria" refers to a set of formal procedures adopted by the government that are used for every project or group of related projects with common characteristics within and across central governmental units.

35 Ministry and agency-level database with coverage of types of expenditures, projects size, and sources of fund.

The total cost and physical progress of major investment projects are monitored by the implementing government unit. PAPRD is the central agency responsible for the broader project monitoring across the country. Projects for monitoring were selected on district basis[36] and, given the small size of the monitoring team, only some districts were covered. In the 2017/18 financial year, PAPRD monitored investment projects in 21 out of the country's 67 districts. The selection of districts was not guided by the importance or the size of the investment projects.

Project monitoring reports were prepared based on the monitoring framework. These reports present a record of physical and financial progress, photos, descriptions of the procurement process as well as recommendations.[37] They are submitted to the Minister's office of the MOPFI, the surveyed districts and relevant line Ministries. Overall, the monitoring system has maintained records on both physical and financial progress, including estimates of work in progress, and produce periodic project-monitoring reports. These records are largely paper-based and do not leverage digital tools (e.g. satellite imagery). The reports produced did not include important information: (1) the issue of consistency of investment projects with national or sector policy objectives, (2) the quality of the procurement process and comprehensiveness of the procurement plan (3) whether there was a well-maintained asset register that records accurate values. Given the limited scope of monitoring the team was not able to assert that it systematically covered all major investment projects.[38]
Dimension rating: D

Current improvement efforts:

The GOM's key on-going efforts to improve its public investment management systems centre around the Project Bank. The Project Bank was introduced in November 2018, but its implementation and linkage to the regular capital budgeting process is still evolving. It entails an interactive, web-based, and publicly accessible database that includes projects that government agencies plan to implement to achieve the Myanmar Sustainable Development Plan (MSDP) goals and strategic action plans. The aim will be to ensure that "strategic" projects (those larger than MMK 2 billion) go through an additional screening process. The threshold value of MMK 2 billion (approximately USD 1.3 million), specified in the 2018 project bank notification, is consistent with the value of existing large projects in Myanmar.

For the fiscal year 2018/19 (not covered by the assessment), PAPRD planned to monitor projects in 5 states and 8 regions with estimated costs on or over the threshold identified by the project bank notification. Monitoring activities were completed in 5 states/regions at the time of the assessment (in Tanintharyi Region, Yangon Region, Ayeyarwady Region, Kayin State and Mon State) with plans to cover the rest of the country with the exception of Chin State and Rakhine State. PAPRD is also considering to develop an integrated project submission and monitoring portal, possibly leveraging satellite imagery.

36 District is the administrative layer under states and regions. A collection of townships comprises a district.
37 The quality recommendations and their follow-up were not assessed by the team. It is understood they could point to general issues in monitoring under identified departments.
38 Major investment project is defined as one that has a total investment equal or above 1% total annual budget and is among the 10 biggest projects (by total investment) for the five largest units by investment expenditure.

PI-12. Public asset management

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. All of the dimensions for this indicator were assessed using information for the last completed fiscal year, 2017/18.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-12. Public asset management	**D**	**Overall rating based on M2 methodology**
12.1 Financial asset monitoring	D	No monitoring of financial assets other than cash. Although some record of flows is recorded, no record of the stock of financial assets is maintained.
12.2 Nonfinancial asset monitoring	D	There are asset registers of varying quality. Some line Ministries maintain lists of fixed assets. There is limited information available for large and significant assets such as infrastructure, mineral and energy sources, or other naturally or occurring assets.
12.3 Transparency of asset disposal	D	GOM has rules for asset transfer/disposal. However, no information is included in reports or budget documents.

12.1. Financial asset monitoring

This dimension assesses the nature of financial asset monitoring, which is critical to identifying and effectively managing the key financial exposures and risks to overall fiscal management. A basic level of performance requires government to maintain a record of major categories of financial assets. An 'A' rating requires utilization and market value of all financial assets to be tracked using international accounting standards and made available publicly.

The GOM identifies three main types of financial assets i) cash, ii) investments in SEEs some of which include joint venture arrangements and iii) loans to farmers. Apart from the monitoring of cash by the Treasury Department, the GOM does not maintain records or complete any monitoring of other financial assets.

Dimension rating: D

12.2. Nonfinancial asset monitoring

This dimension assesses the features of nonfinancial asset monitoring for budgetary Central Government. Nonfinancial assets should identify the assets and their use. Maintaining a register of fixed assets with partial information on use and age is required for the basic level of performance. Up-to-date registers allow governments to better utilize assets such as infrastructure and to plan investment and maintenance programs.

Line Ministries have asset registers of varying quality. These often contain lists of office furniture and capital equipment (e.g. machinery, vehicles). Some asset registers may include information on asset location, age and usage. In limited cases, individual assets may have a value assigned (usually based on cost information), but this is not done systematically nor is a consistent standard used. However, the registers are largely paper-based and incomplete. They do not contain information on significant assets such as infrastructure, mineral and energy sources, or other naturally occurring assets.

SEEs generally have better asset registers and some of these entities have significant infrastructural assets. Asset maintenance planning is rudimentary and, due to budget constraints, there appears to have been significant underinvestment in replacement and maintenance for some major infrastructural assets. This means the assets do not perform at optimal levels, their remaining useful lives could be impacted, and significant accumulated deferred maintenance issues are likely to be present.

Dimension rating: D

12.3. Transparency of asset disposal

This dimension assesses whether the procedures for transfer and disposal of assets[39] are established through legislation, regulation or approved procedures. It examines whether information is provided to the Legislature on public on asset transfers and disposals. A basic level of performance requires established procedures and rules for the transfer or disposal of nonfinancial assets with at least partial information being included in budget documents, financial or other reports.

The Financial Rules and Regulations (2017) include the procedures for asset transfers and disposals. There is also a central asset disposal committee. However, no information on asset disposals and transfers has been included in reports or budget documents. Nor has any information been made available to the legislature or published.

Dimension rating: D

PI-13. Debt management

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. It contains three dimensions, assessed using different time periods. Dimension 13.1 is assessed using the information applicable at the time of the assessment. Dimension 13.2 is assessed using information for the last completed fiscal year, 2017/18. Dimension 13.3 is assessed using the information applicable at the time of the assessment with reference to the last three completed fiscal years.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-13. Debt management	**B+**	**Overall rating based on M2 methodology**
13.1 Recording and reporting of debt and guarantees	A	The Debt Management Division maintains manual records for both domestic and foreign debt, and monthly reconciliations with lenders are completed. Quarterly reports are submitted to the President's Office and cover both internal and external debts. Annual Debt Reports are published.
13.2 Approval of debt and guarantees	B	The Public Debt Management Law requires all loans or guarantees to be undertaken by the MOPFI. Parliament approves a ceiling for domestic and foreign debt with the budget, and individual large loans require specific Parliamentary approval.
13.3 Debt management strategy	B	The latest version of the DMS (January 29, 2019) is available on the GOM website and covers FYs 2018/19 to 2020/21. Data on targets for interest rates, refinancing maturing loans and currency risks has been consistent over the last three financial years.

39 Transfer of assets includes a transfer of usage rights where ownership is retained by the government.

13.1 Recording and reporting of debt and guarantees

This dimension assesses the integrity and comprehensiveness of domestic, foreign and guaranteed debt recording and reporting. An 'A' rating requires that all government debt records (including amounts guaranteed) are complete, accurate, updated and reconciled monthly. It also requires that comprehensive management and statistical reports covering debt service, stock, and operations are produced at least quarterly.

The Debt Management Division within MOPFI maintains manual records for both domestic and foreign debt. Reconciliations are completed with the lenders each month. All records are up to date and include both stock and servicing information (creditor; amount committed; currency; date of agreement; interest rate; grace period; amortization period).

Quarterly reports are submitted to the President's Office and these cover the stock and movements of both internal and external debts. The Annual Debt Reports for FY 2015/16, 2016/17 and 2017/18 were published, and cover both foreign and domestic debt using various "pie charts".

GOM has only issued a single acknowledgment letter, to the IFC, in relation to a project with the MOEE.

TABLE 3.6: Total debt liabilities

Total Public Debt	2015/16	2016/17	2017/18
Domestic Debt Stock (MMK Billion)	**15,724.5**	**18,020.1**	**20,724.7**
Treasury Bond	**2,614.8**	**3,383.9**	**4,056.2**
Old Bond	2,614.8	2,184.4	1,524.9
Auction Bond		1,199.7	2,531.3
Treasury Bill	**13,109.7**	**14,634.0**	**16,672.5**
CBM Financing	12,444.9	13,658.2	14,321.3
Auction Bill	664.8	975.8	2,351.2
External Debt Stock (USD Million)	**9,530.252**	**9,148.821**	**10,200.170**

Source: Central Bank of Myanmar, December 2019

Dimension rating: A

13.2. Approval of debt and guarantees

This dimension assesses the arrangements for the approval and control of the GOM's contracting of loans and issuing of guarantees. To attain rating 'A', a dedicated government body is required to be responsible for approving all loan and guarantee contracts, and all borrowing activities should comply with transparent criteria that are consistent with fiscal objectives of the government.

The Public Debt Management Law (2016) requires that all loans or guarantees (including those proposed by SEEs or subnational governments) must be undertaken by the MOPFI, following documented policies and procedures, and are reported to and monitored by a single responsible entity. The budget documentation submitted for approval by Parliament includes a ceiling for domestic and foreign debt: however, individual large loans (or tranches) also require specific Parliamentary approval.

Dimension rating: B

13.3. Debt management strategy

This dimension assesses whether GOM has prepared a debt management strategy. An 'A' rating requires the Executive to report its medium-term debt management strategy, including quantified targets and objectives, to the legislature.

The latest version of the DMS is dated January 29, 2019: it was presented to Parliament and is available on the GOM website. This document includes sensitivity analysis and covers the next three years (FY 2018/19 to 2020/21). The presentation of data on targets for interest rates, refinancing maturing loans and currency risks for foreign loans has been consistent over the last three financial years, and this was confirmed in the Debt Sustainability Analysis conducted in 2016.

Dimension rating: B

Current improvement efforts:

There are plans to implement the Commonwealth Secretariat Debt Recording and Management System (CSDRMS) with assistance from the Asian Development Bank. The World Bank has recently provided debt sustainability and management training to the Debt Management Division (DMD) of the Treasury Department of the Ministry of Planning, Finance and Industry. The objectives are to build an accountability framework for the DMD, link debt with the macroeconomic, building scenarios using the DSA Light, and produce a debt report using DSA Light outputs and other data sources. The World Bank support focuses on the production of the debt report; which documents recent trends towards external debt financing and away from Central Bank of Myanmar (CBM) financing.

3.4 PILLAR FOUR: Policy based fiscal strategy and budgeting

PI-14. Macroeconomic and fiscal forecasting

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. It contains three dimensions and uses information for the last 3 completed fiscal years, 2015/16 to 2017/18.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-14. Macroeconomic and fiscal forecasting	**C**	**Overall rating based on M2 methodology**
14.1 Macroeconomic forecasts	C	Time-series forecasts based on the Medium-Term Fiscal Framework informs the overall budget envelope and has been linked on the expenditure side with the PER work conducted by the World Bank. Forecasts cover the budget year and the next two financial years, but the details are not included in the documentation submitted to the legislature.
14.2 Fiscal forecasts	C	Internal documents consider forecasts of the key variables in the budget and discuss targets: however, while forecasts are produced, there is no subsequent analysis or reporting on their accuracy.
14.3 Macro fiscal sensitivity analysis	C	The MOPFI conducts sensitivity analysis on a range of scenarios, particularly on the revenue side, where issues such as increases in prices for electricity and forecasting revenues from oil and gas extraction have come to the fore: however, these analyses are only for internal use and were not included in the budget documents presented to Parliament.

14.1. Macroeconomic forecasts

This dimension assesses the extent to which comprehensive medium-term macroeconomic forecasts and their underlying assumptions are prepared to inform the fiscal and budget planning process and is submitted to the legislature. An 'A' rating requires forecasts of key macroeconomic indicators for the budget year and the two following fiscal years be submitted to the legislature along with the underlying assumptions. This information should also be updated at least once a year and reviewed by an entity other than the preparing entity.

For the last several years, the Budget Department MOPFI has been involved in a collaborative effort with the CBM, the IMF, the CSO, the Institute of Economics and the Planning Department to produce Medium-Term Fiscal Forecasts, which inform the overall budget envelope. These time-series based forecasts cover central Government agencies, transfers to States/Regions, and SEEs, and have been linked on the expenditure side with the Public Expenditure Review (PER) work conducted by the World Bank.

While these forecasts include GDP growth, inflation, interest rate, and the exchange rate information and cover the budget year and the next two financial years, it appears that some of the data is not consistent (examples cited relate to student numbers in the Ministry of Education and other timing differences). In any event, the details are not included in the documentation submitted to the legislature. Inclusion of these forecasts along with the underlying assumptions in the budget documentation submitted to the legislature and having them reviewed by an entity other than the preparing entity would enable a higher rating in the future.
Dimension rating: C

14.2. Fiscal forecasts

This dimension assesses whether GOM has prepared a fiscal forecast for the budget year and the following two years, based on updated macroeconomic projections and approved revenue and expenditure parameters. Sound performance (rating B), would require that forecasts of the main fiscal indicators including revenue (by type), aggregate expenditure and the budget ceiling for the current and the two following fiscal years to be prepared together with the underlying assumptions and be included in the budget documentation submitted to the legislature.

Internal documents consider forecasts of the key variables in the budget and discuss targets such as raising revenue to 15% GDP. MOPFI also notes that economic growth is slowing, from 6.8% to 6.2% as is FDI. However, while forecasts are produced, the data is not submitted to the legislature, nor is there any subsequent reporting as to its accuracy. This satisfies the basic level of performance. However, submission of these forecasts to the legislature, including underlying assumptions and explanation of the main differences from the forecasts made in the previous year's budget, would enable an increase in the rating in the future.
Dimension rating: C

14.3. Macro-fiscal sensitivity analysis

This dimension assesses the capacity of GOM to develop and publish alternative fiscal risk scenarios. These should try to assess plausible changes in macroeconomic conditions or other external risk factors that have a potential impact on revenue, expenditure, and debt. Such analyses would typically involve an analysis of debt sustainability. 'Good practice' requires a Government to prepare and publish a range of fiscal forecast scenarios based on different macroeconomic assumptions.

The MOPFI conducts sensitivity analysis on a range of scenarios, based on the forecasts described in 14.1 above. This has become particularly important on the revenue side, where issues such as increases in prices for electricity (which are deemed to be low by comparative standards) and forecasting revenues from oil and gas extraction (which have faced technical challenges in recent years) have come to the fore. The preparation of such analysis by MOPFI satisfies the basic level of performance: however, this analysis was not included in the budget documents presented to Parliament nor was it published (in any of the last three years).
Dimension rating: C

Current improvement efforts:

The work of the Macro-fiscal working group coordinated by the UNDP, including five working teams (Economic Coordination; Medium-Term Fiscal Framework; Revenue; Expenditure Planning; and, Risks) is expected to have an increasing impact on the development of macroeconomic and fiscal forecasting going forward. The World Bank team has been providing continuous technical assistance that is expected to contribute to macroeconomic and fiscal forecasting. This support covers the overall tax revenue forecasting and natural resources revenue forecasting, budget expenditure analysis, MTFF formulation support – advising the GOM MTFF team on the application and use of the excel model, assistance to Treasury Department to conducting DSA analysis and to use medium term debt financing tools to help determine annual debt issuance strategy. The ongoing support of the MTFF in particular covers assistance in producing a range of GDP scenarios (baseline, high and low), and how it might impact deficit to GDP.

PI-15. Fiscal strategy

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. It contains three dimensions and uses different time periods. Dimension 15.1 is assessed using the last 3 completed fiscal years. Dimensions 15.2 and 15.3 are assessed using the last completed fiscal year, 2017/18.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-15. Fiscal strategy	**D+**	**Overall rating based on M2 methodology**
15.1 Fiscal impact of policy proposals	D	While GOM prepares a Fiscal Policy Statement, it does not include fiscal impact from all proposed changes to revenue and expenditure. It was also not in place for the last three completed FYs.
15.2 Fiscal strategy adoption	C	GOM has developed a fiscal strategy (at this stage for internal purposes only): the key result is quantified – i.e. that the deficit is within 5% of GDP.
15.3 Reporting on fiscal outcomes	C	GOM has produced an internal report, showing that the deficit was within the "5% of GDP" range in the last completed FY.

15.1. Fiscal impact of policy proposals

This dimension assesses the capacity of GOM to estimate the fiscal impact of revenue and expenditure policy proposals developed during budget preparation. A reasonable estimation of the impact of policy changes can help avoid unanticipated deficits and associated negative impacts on service delivery. An 'A' rating requires the estimated fiscal impact of all changes to revenue and expenditure policies for the budget year and the two subsequent budget years to be submitted to Parliament.

In the last two years, and with support from the IMF & WB, a 'Fiscal Policy Statement' has been prepared and presented to Parliament. This document includes some – but not all – consequences of proposed revenue and expenditure measures for the coming budget year. Revenue policy proposals do not appear to estimate revenue impact for the budget year and the two following fiscal years. Expenditure proposals aren't fully costed for the budget year and the two following fiscal years and do not include the recurrent costs associated with capital investment projects. The absence of costed proposals over the medium-term is at least partly related to the quality of the planning process undertaken by line Ministries.

The ability to assess the fiscal impact of policy changes is constrained by the policy setting environment. Myanmar doesn't have a clear policy checklist of changes that are introduced to go through the regular cabinet process. While the Fiscal Policy Statement refers to the Medium-Term Strategic Plan, the data is not fully consistent, and not all the forecasts are included in the documents presented to Parliament. The current nature of the fiscal policy statements focuses on aggregate fiscal outcomes and reflects the technical capacity of the legislature and quality of available data.

Dimension rating: D

15.2. Fiscal strategy adoption

This dimension assesses the extent to which GOM prepares a fiscal strategy that sets out fiscal objectives for at least the budget year and the next two years. An 'A' rating requires submission (and publication) of a fiscal strategy to the Parliament that includes explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year and the following two years.

Fiscal data is formulated into a MTFF to project aggregate ceilings for the budget as well as forecasts of the fiscal balance. Different scenarios are modelled for internal use, (although the final documentation presented to Parliament includes only the most likely forecast). In effect, the current adopted strategy (that is submitted to the Parliament) is that the deficit will not exceed 5% of GDP; that there will be a move away from Central Bank financing; and that there will be positive management of the volatility arising from currency depreciation.

The submission to the legislature and adoption of the fiscal strategy for the coming budget year and the two following fiscal years would enable a higher rating in the future.[40]

Dimension rating: C

15.3. Reporting on fiscal outcomes

This dimension assesses the extent to which the government makes available – as part of the annual budget documentation submitted to the legislature – an assessment of its achievements against the stated fiscal objectives and targets. An 'A' rating requires the government to submit a report to the legislature and publish it with the annual budget. The report should describe the progress made against its fiscal strategy and provide explanations for any deviations from the set targets and objectives. The report would also set out actions planned to address any deviations.

GOM has produced an internal report, which shows that the key result of its fiscal strategy – i.e. that the deficit was within the "5% of GDP" range – which was achieved in the last completed FY. However, the report was not made available to the legislature along with the annual budget. Inclusion of this report with an explanation of reasons for any deviations and the planned actions would enable a higher rating in the future.

Dimension rating: C

40 The Assessment Team was informed that despite the absence of long-term adoption of the fiscal policy the 5% GDP threshold is widely acknowledged and has been adhered to for every year it has been articulated.

Current improvement efforts:

The Fiscal Policy Statement is now being posted online on the MOPFI website starting from FY 2019-2020 and the quarterly expenditure report is now being posted online on the MOPFI website starting from FY 2016-2017. This is the first time a fiscal policy statement has prepared, and it includes a statement of the government's key spending priorities, fiscal plans in terms of targeted deficit and provides a broader overview of key fiscal risks.

The World Bank team has been providing technical assistance in the formulation of fiscal policy statement to the Budget Department as part of the MTFF initiative to communicate government priorities and reform initiatives to the public for credibility and transparency in fiscal management. The first statement was introduced in 2017. Since then multiple workshops have been conducted to share the concept of a Fiscal Policy Statement and examples from other countries in the region. This support is on-going with the Fiscal Policy Unit of the Budget Department responsible for developing Fiscal Policy Statements. The Fiscal Policy Statement for 2019/20 fiscal year has been published on the MOPFI's website in November 2019.

PI-16. Medium-term perspective in expenditure budgeting

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. It contains four dimensions and uses different time periods. Dimensions 16.1 to 16.3 are assessed using information for the last budget submitted to the legislature. Dimension 16.4 is assessed using the budget approved by the legislature for the last completed fiscal year and the budget approved by the legislature for the current fiscal year.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-16. Medium-term perspective in expenditure budgeting	**D+**	**Overall rating based on M2 methodology**
16.1 Medium-term expenditure estimates	D	Medium-term expenditure estimates are available internally but not included in the budget law.
16.2 Medium-term expenditure ceilings	D	Aggregate ceiling is communicated in the first budget circular, but only for one year ahead.
16.3 Alignment of strategic plans and medium-term budgets	C	While five-year national plans and underlying sector plans have been produced and costed, actual budget allocations do not match the figures in the plans.
16.4 Consistency of budgets with previous year's estimates	NA	No documentation provided to explain changes in estimates.

16.1. Medium-term expenditure estimates

This dimension assesses the extent to which medium-term budget estimates are prepared and updated as part of the annual budget process. An 'A' rating requires the expenditure estimates to be presented in the budget for the current and the two following fiscal years allocated by administrative, economic, and program (or functional) classification.

MOPFI prepares medium-term estimates by administrative classification, however, they are for internal use only and are not presented to the Parliament. Instead, the legislature is presented with the aggregate expenditure estimates. Inclusion of these estimates in budget documentation to the legislature would enable a higher rating in the future.[41]

Dimension rating: D

16.2. Medium-term expenditure ceilings

This dimension assesses whether expenditure ceilings are applied to the estimates produced by Ministries to ensure that expenditure beyond the budget year is consistent with government fiscal policy and budgetary objectives. An 'A' rating requires Ministry-level expenditure ceilings for the budget year and the two following fiscal years to be approved by the government before the first budget circular is issued.

While the first budget circular includes an aggregate budget ceiling, this is only for the budget year, i.e. one year ahead, the circular does not include expenditure ceilings for any of the following two years. Issuing a budget circular with aggregate expenditure ceilings for the budget year and the two following years with the figures approved by the government prior to issuance would enable the basic level of performance (rating C) to be achieved in the future.

Dimension rating: D

16.3. Alignment of strategic plans and medium-term budgets

This dimension measures the extent to which approved expenditure policy proposals align with costed Ministry strategic plans or sector strategies. An 'A' rating requires costed medium-term plans for most Ministries and alignment between most expenditure policy proposals in the approved medium-term budget estimates and the strategic plans.

Discussions with several large line ministries (Ministries of Education, Health and Sports, Electricity and Energy, Natural Resources and Environmental Conservation, Livestock and Irrigation were consulted) confirmed that while five-year national plans and underlying sector plans have been produced and some are costed, actual budget allocations do not match the figures in the plans. This could partly reflect the quality of planning in line Ministries and the aspirational nature of the medium-term sector plans, which are not directly linked to budgetary ceilings. In addition, there is an issue with planning for capital projects, as some may take more than a single financial year to complete (and hence may require re-appropriation in a subsequent budget).

Dimension rating: C

16.4. Consistency of budgets with previous year's estimates

This dimension assesses the extent to which the expenditure estimates in the last medium-term budget establish the basis for the current medium-term budget. This will be the case if every expenditure variation between the corresponding years in each medium-term budget can be fully explained and quantified. An 'A' rating requires budget documents to provide an explanation of all changes to expenditure estimates between the last medium-term budget and the current medium-term budget at the line Ministry level.

41 Including estimates by administrative or economic classification would satisfy a C rating. Doing so for both would satisfy a B rating. Inclusion of a program (functional) classification, in addition, would satisfy an A rating.

However, there are currently no medium-term budgets at the line Ministry level (and no medium-term appropriation in general) and hence there are no explanations in the budget documentation for changes made since the previous year's proposals. Changes to incorporate a medium-term budget at the line Ministry level and an explanation of changes to expenditure estimates between years would enable a higher rating in the future.

Dimension rating: NA

Current improvement efforts:

It should be noted that recurrent costs arising from capital projects are expected to be included in the future (which is not currently the case). The Planning Department has developed project proposal templates and guidelines. The World Bank's continuous support of the MTFF to MOPFI is expected to build towards progress across the dimensions assessed under this performance indicator.

PI-17. Budget preparation process

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It contains three dimensions that use different time periods. Dimensions 17.1 and 17.2 are assessed using the last budget submitted to the legislature. Dimension 17.3 is assessed using information for the last three completed fiscal years, 2015/16 to 2017/18.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-17. Budget preparation process	**B+**	**Overall rating based on M2 methodology**
17.1 Budget calendar	B	As can be seen from Table 3.7, agencies had four weeks to complete detailed estimates for the 2019/20 budget, and evidence seen by the AT confirms that most agencies adhered to this deadline.
17.2 Guidance on budget preparation	B	Indicative ceilings drawn from the MTFF plus other guidance were sent to agencies at the start of the process.
17.3 Budget submission to the legislature	A	In each of the last three years, Parliament had more than two months to review and debate the Executive's proposals: the last budget proposal, which covered the period of the change in the financial year, was approved before the start of the FY.

17.1. Budget calendar

This dimension assesses whether a fixed budget calendar exists and is adhered to. An 'A' rating requires a clear annual budget calendar that is generally adhered to and allows budgetary units at least six weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time.

During 2018, the fiscal year was changed from April-March to October-September: therefore, the FY 2019/20 will cover the period from October 1, 2019 to September 30, 2020.

The budget process is highlighted in **Table 3.7** below. The budget circular covers the total budget expenditure for the full fiscal year. The budget preparation process started a month earlier than the usual practice this year to allow for more scrutiny of line Ministries spending proposals.

Most line Ministries submitted the first capital and recurrent spending proposals on March 28, 2019. Under new rules for 2019/20, two key changes were introduced: (i) the capital budget proposal is now partly governed by the new project bank process; and (ii) capital and recurrent budget proposals need to be submitted electronically along with the traditional paper-based submissions.

TABLE 3.7: Budget calendar for 2019/20

Activity	Responsible Ministry/ Department	Time Period	Actual date
"Budget Sanction" and indicative "Budget Ceilings" sent to agencies. Ceilings prepared using Medium-Term Fiscal Framework (MTFF)	MOPFI Budget Department (BD)	28 February	28 February
Deadline for budget proposal submission	Line Ministries	28 March	28 March
Analysing and compiling budget proposals by line Ministries	BD for recurrent. Planning for capital budget	During April	29 March – 10 April
Review of budget proposals & sharing with line Ministries for revision	Deputy Minister MOPFI	4th week April	22 – 30 April
Line Ministries submit revised proposal to BD	Line ministries	1st week May	3 May
Review of revised budget proposals & sharing with line Ministries for revision	Minister of Planning and Finance		22 -24 May
Line Ministries submit their revised proposals to BD	Line Ministries	3rdweek May	25 May
Review of budget proposals & sharing back to line Ministries for revision	Vice President	3rd – 4th week May	31 May
Line ministry submit the revised proposal to BD	Line Ministries	1st week June	5 June
Review by the Financial Commission and the Planning Commission	Financial Commission, Planning Commission	2nd week June	14 June
Review of revised proposals & sharing with line Ministries for revision	Cabinet	3rd week June	18 June
Line Ministries submit the revised proposal to BD	Line Ministries	4th week June	3 July
Budget proposals submitted by Union Government to Parliament	MOPFI	1st week July	8 July
Union Budget Bill submitted to Pyidaungsu Hluttaw by Minister of Planning & Finance	MOPFI	3rd week of July	15 July
Approval by the Hluttaw	Hluttaw	By September	12 September
Signed by the President	President	By September 30th	17 September

Source: Ministry of Planning, Finance and Industry

As can be seen from the first steps in **Table 3.7** above, agencies were allowed four weeks to complete their detailed estimates for the 2019/20 budget due to the transitional challenges described earlier, and evidence seen by the AT confirms that most agencies adhered to this deadline.

Dimension rating: B

17.2. Guidance on budget preparation

This dimension is focused on the extent to which clear guidance is provided to agencies on the budget process, including indicative ceilings approved by the cabinet.

As can be seen in the first step in the process set out in **Table 3.7** above, indicative ceilings for current and capital budgets drawn from the MTFF were sent to all agencies at the start of the process.

Dimension rating: B

17.3. Budget submission to the legislature

This dimension assesses the timeliness of submission of the annual budget proposal to the legislature. An 'A' rating requires the Executive to have submitted the annual budget proposal to the legislature at least two months before the start of the fiscal year in each of the three assessed fiscal years, 2015/16, 2016/17 and 2017/18.

The timeframe for Parliament's review of the Executive's Budget proposal is set out in the budget calendar. For the last three completed fiscal years, the dates are shown in **Table 3.8** below. In each of the three last completed FY's, Parliament has had more than two months to review and debate the Budget proposals.

TABLE 3.8: Dates of submission of budget proposal in the last three years

Budget Year	Submission date
2016/17	21 December, 2016
2017/18	13 January, 2017
2018/19*	14 July, 2018
2019/20*	8 July 2019

Source: MOPFI; * new fiscal year starting in October

Dimension rating: A

Current improvement efforts:

The World Bank has assisted the GOM in introducing the Excel-based budget submission templates to support the Budget Department and Planning Department in improving the efficiency of business processes throughout the budget cycle, with an initial focus on budget submission. Since 2017, Budget and Planning Departments and line-agencies have been trained to use the excel-based e-budget submission template. The electronic templates have since been introduced to all line agencies who have been requested to submit budget requests electronically for the 2019/20 fiscal year, as a pilot in parallel with the regular paper-based process. This may alter the nature and timing of budget preparation in the future.

PI-18. Legislative scrutiny of budgets

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. The first three dimensions are assessed using the last completed fiscal year. The last dimension, 18.4, is assessed using the last three completed fiscal years.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-18. Legislative scrutiny of budgets	**C+**	**Overall rating based on M1 methodology**
18.1 Scope of budget scrutiny	C	The JPAC conducts a lengthy review of the Executive's budget proposals, including: expenditure aggregates; detailed estimates of expenditure for the Union, States and Regions; fiscal policies; projections of revenue and proposed capital investments. However, a thorough review of fiscal policies and medium-term fiscal projections is not conducted.
18.2 Legislative procedures for budget scrutiny	B	Procedures and processes for legislature's review of the budget law are approved before any hearings commence and are respected: the JPAC review is lengthy and has the benefit of technical support.
18.3 Timing of budget approval	A	In each of the last three years, the budget was approved before the start of the new fiscal year.
18.4 Rules for budget adjustments by the executive	B	There are clear rules that allow in-year reallocations within administrative heads, and these rules are followed.

18.1. Scope of budget scrutiny

This dimension assesses the scope of legislative scrutiny. An 'A' rating requires the legislature to have the ability to propose fiscal policies to the government, medium-term budget framework and priorities, and budget revenue and expenditure estimates through scrutiny and debates on the budget proposal.

On an annual basis, the Joint Public Accounts Committee (JPAC) of Parliament conducts a lengthy review of the Executive's budget proposals, and this includes expenditure aggregates for the coming year as well as detailed estimates of expenditure not only for the Union but also for the States and Regions. There are 20 functional committees involved in reviewing proposals from line Ministries. In recent years, JPAC reviews have exercised influence on both planned appropriations and the proposed level of the planned budget deficit. Although there are some processes for reviewing fiscal policies, a detailed review of them along with medium-term projections was not conducted.
Dimension rating: C

18.2. Legislative procedures for budget scrutiny

This dimension assesses the extent to which review procedures are established and followed. An 'A' rating requires legislative procedures for budget scrutiny approved by the legislature to be complied with during budget debates. These procedures include public participation.

Procedures and processes for the legislature's review of the budget law are approved each year before the hearings commence and are respected. As mentioned above, the JPAC review is lengthy, with several committee hearings which benefit from technical support. In the last year, the committee met on ten occasions to review the estimates (and revised estimates), and as a result, changes were made to the GOM's initial proposals.
Dimension rating: B

18.3. Timing of budget approval

This dimension assesses the timeliness of the scrutiny process in terms of the legislature's ability to approve the budget before the start of the new fiscal year. The deadline is important so that budgetary units know at the beginning of the fiscal year what resources they will have at their disposal for service delivery.

As can be seen in **Table 3.9** below, in each of the last three years, the budget was approved before the start of the new fiscal year.

TABLE 3.9: Dates of budget approval in the last three years

Budget Year	Approval date
2015/16	31 March 2015
2016/17	19 January 2016
2017/18	17 March 2017
2018/19*	13 September 2018

Source: MOPFI; * new fiscal year starting in October

Dimension rating: A

18.4. Rules for budget adjustments by the executive

This dimension assesses the frequency and transparency of adjustments to budget allocations. An 'A' rating requires specific regulations to limit the authority of the Executive to adjust the budget during the year without Parliamentary approval.

There are clear rules that allow significant in-year reallocations within administrative heads, as this reduces the credibility of the approved budget. However, these rules are followed and restrict any reallocations made: between capital and recurrent expenditure; and, to or from personnel appropriations. In addition, all reallocations (and changes to the envelope) are reported to Parliament during the supplementary budget presentation. While the rules are followed, it is important to note that the cumbersome process for reallocation of budget items and the use of the supplementary budget (de facto second in-year budgeting process) affects budget credibility and is understood to strain the capacity of agencies.
Dimension rating: B

Current improvement efforts:

JPAC is getting continued support from development partners on oversight and scrutiny of the budget. This includes a number of technical consultants advising the JPAC and their support staff.[42]

42 The EU is currently providing support to facilitate the analysis of the legal framework together with the Joint Parliamentary Accounts Committee.

3.5 PILLAR FIVE: Predictability and control in budget execution

PI-19. Revenue administration

This indicator examines the government's ability to collect revenue which is one of the most important components of PFM system. Specifically, it assesses the extent to which taxpayers have access to information about their rights and obligations including redress procedures and processes; the approach that the government use for revenue risk management; audit and fraud investigation undertaken to ensure the noncompliance issues; and revenue arrears monitoring. It contains four dimensions. Currently available information is used to assess dimensions 19.1 and 19.2, and the 2017/18 fiscal year is covered to assess dimensions 19.3 and 19.4. The indicator was rated using the information provided by the IRD, the largest tax collecting agency, which is also responsible for the majority of GOM's revenue collection.

Central government revenue is governed by the Union Taxation Law (No. 32/2018; 25 September 2018 effected on 1 October 2018). 22 types of tax revenues are collected and administered by nine different Union Ministries. Among them, according to the schedule (1) of the 2018 Union tax law, MOPFI collects and administers 87% of the total estimated Union tax revenue, which includes income tax, commercial tax, special goods tax, stamp duty and lottery tax collected by Internal Revenue Department (IRD) (80%) and custom duties (7%) collected by Customs Department. IRD, the main tax collecting agency, is organized with its headquarters located in the capital city, Nay Pyi Taw, and township level offices across the country to administer collection. It is a focal point of the GOM's tax reforms.

Since 2012, Myanmar has tried to balance its short-term need for raising revenue, with its long-term objective of building an effective and equitable tax system. Preliminary reform results are positive. However, the tax system is still characterized by revenue leakage, a narrow tax base and weak tax administration. The focus has been on modernizing tax administration by (i) restructuring tax administration by taxpayer size - the Large Taxpayer Office (LTO), Medium Taxpayer Offices (MTOs) and Small Taxpayer Offices (STOs) have now been established (these offices are established under IRD and MOPFI); and (ii) moving from the Official Assessment System (OAS) – which depends on taxpayer accounts and bookkeeping in order for tax officers to assess liabilities – to the Self-Assessment System coupled with tax audits.

Reforms in LTO represent the first core of reforms to tax administration since the previous PEFA assessment. Large taxpayers of LTO are now self-assessed and audited, while MTO is gradually moving into self-assessment. Both LTO and MTO are located in Yangon and account for more than 70% of IRD's total tax collection.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-19. Revenue administration	**C+**	**Overall rating based on M2 methodology**
19.1 Rights and obligations for revenue measures	C	IRD uses multiple channels to provide comprehensive and up-to-date information on the main revenue obligations and rights.
19.2 Revenue risk management	B	IRD assessment in LTO and MTO uses compliance improvement strategy as risk management approach.
19.3 Revenue audit and investigation	C	There is a planned approach and basis for selecting which audits/investigations to pursue. However, not all are completed within the fiscal year.
19.4 Revenue arrears monitoring	B	The stock of revenue arrears at the end of 2017/18 was 1.2% of the total revenue collection for the year. Revenue arrears older than 12 months were 34% of total revenue arrears at the end of the year.

19.1. Rights and obligations for revenue measures

This dimension assesses the extent to which individuals and enterprises have access to information about their rights and obligations as well as redress opportunities that are independent outside of the legal system. 'Good practice' requires that most agencies collecting most revenues utilize multiple channels to provide taxpayers with accessible, comprehensive and up-to-date information on the main revenue obligation areas and on rights including, as a minimum, redress processes and procedures.

IRD has established a website that provides comprehensive up-to-date information on rules and regulations as well as taxpayer educational materials on income tax, commercial tax, special goods tax and stamp duty for individual, company, self-employed enterprises, cooperatives and state-owned economic enterprises in both Myanmar and English languages. Brochures, forms, videos and frequently asked questions are publicly available on their website. Laws and procedures related to these laws include information on taxpayers' right of appeal which is also televised on the local *"Sky Net Myanmar Business Channel"* on a regular basis.

LTO and MTO, which account for over 70% of IRD's collection, provide taxpayer information and education. In addition, each township office has a communication and information team that conducts public relations activities. Their responsibility is to upload news on the website and release news in newspapers and provide taxpayer advisory services. A Technical Review Committee under the IRD has also been formed to issue definitions and taxpayer guidance related to tax issues.

Redress processes and procedures are mentioned in customs act, income tax law and commercial tax law – these are publicly available – and a Revenue Appellate Tribunal, chaired by the Director General of the MOPFI is in place. In addition, IRD uploads up-to-date information on processes and procedures to their website. In the areas where only a few citizens use computers and the internet, taxpayers receive information and advice from the township IRD officers.

A person dissatisfied with levying of tax, fining and confiscating of property and vehicles can file an appeal under:

Section 188 of the Sea Customs Act
Section 33 (a) of the Income Tax Law
Section 19 (a) (2) of the Commercial Tax Law

In summary, IRD uses multiple channels to provide taxpayers with easy access to comprehensive information on taxpayers' obligations and rights including redress procedures. New and amended laws, as well as new administrative procedures, have been made publicly available in a timely manner.

According to information provided by the Customs Department, any person deeming himself or herself aggrieved by any decision or order passed by Customs Department may appeal against such decision or order under the Sea Customs Act 188. If upon any such appeal, the leviable duties and fines shall be collected under the Sea Customs Act 189. And under the Sea Customs Act 191, the decision or order may be modified, reserved or confirmed and annulled.

Dimension rating: C

19.2. Revenue risk management

This dimension assesses the extent to which a systematic approach is used by the revenue authorities for assessing and prioritizing compliance risks.

Since 2012, the IRD has been in transition from the Official Assessment System (OAS) to the Self-Assessment System (SAS). There are now approximately 3000 taxpayers who have registered under the SAS.

IRD adopted a Compliance Improvement Strategy in October 2017 to assess and prioritize compliance risks of taxpayers of Large Taxpayer Office (LTO) and Medium Taxpayer Office (MTO). LTO taxpayers are those with more than 7-billion-kyat turnover and include 11 state-owned economic enterprises and 1 cooperative in addition to other private sector businesses. MTO-1 taxpayers are those with between 4-billion and 7-billion-Kyat turnover. A Compliance Tactical Plan has been developed to address specific types of non-compliance by each taxpayer segment which includes a set of specific actions to be taken.

In November 2018, IRD developed the rules and regulations for the Risk Management and Intelligence Unit (R&I). R&I was established as an operational unit under the tax inspection division of the department to update the individual taxpayer data, set the risk criteria, inspect and examine the compliance risks.

IRD has formed three Compliance Strategy Teams consisting of staff from LTO and MTO-1 and an international adviser to improve taxpayers' compliance. These task teams focus on four main compliance strategies: registration, filing and reporting of declarations and payment of income tax, commercial tax, pay-as-you-earn and special goods tax.

TABLE 3.10: Main findings from the review of the compliance improvement strategy for the 2017/18 FY

Strategies	Risk level	Issues found
Registration	Low	• Misunderstanding on the criteria set by IRD concerning the registration at LTO
Filing of declarations	Medium	• Resource constraints at LTO
Payment of liabilities	Medium	• Advance income tax • Quarterly commercial tax payment • Lack of Taxpayer Identification Numbers (TIN) in the documents submitted by MEB to LTO
Complete and accurate reporting of information in declarations	High	• Incorrect income amounts • Initial capital is reported as cost • Donations • Extra exemption amounts • Transfer pricing

Source: Internal Revenue Department, MOPFI.

In summary, IRD uses a compliance improvement strategy for assessing and prioritizing compliance risks of large and medium taxpayers.

Dimension rating: B

19.3. Revenue audit and investigation

This dimension assesses whether sufficient controls are in place to maintain the integrity of the taxation system. An 'A' rating requires agencies collecting most revenue to undertake audits and fraud investigations managed and reported on according to a compliance improvement plan and complete all planned audits.

The IRD's Revenue audit division selected especially large taxpayers for audit based on the compliance improvement tactical plan. In 2017/18, LTO completed the majority (73%) of planned audits and investigations, although that seems to be of a relatively small share of total tax filling per year. Detailed information on the planned audit amounts was not available.

Dimension rating: C

19.4. Revenue arrears monitoring

Dimension 19.4 assesses the extent of proper management of revenue arrears. The three major types of tax revenues (commercial tax, income tax and profit tax) are collected by the IRD and account for 80% of total GOM revenue). At the end of the 2017/18 fiscal year the stock of these arrears accounted for 1.2% of total revenue collection for that year: arrears older than 12 months were 34% of total revenue arrears balance at the end of the year. Apart from these taxes, the Assessment Team was able to acquire data for the only other material GOM revenues (stamp duty and the state lottery) but these have no arrears as 'collection' is at the point of sale.

Dimension rating: B

TABLE 3.11: Tax revenue arrears of major taxes and total collections of 2016/17 and 2017/18 (MMK in Millions)

Strategies	Risk level	Issues found
Total tax revenue arrears	**173,546**	**154,868**
Commercial Tax	53,697	71,839
Income Tax	114,647	77,987
Profit Tax	5,202	5,041
Total tax collection	**5,377,820**	**5,733,755**
Commercial Tax	1,892,187	1,985,748
Specific Goods Tax	1,001,218	1,240,696
Income Tax	2,369,454	2,345,826
Stamp Duty	74,757	67,660
State Lottery	40,204	93,824
The stock of tax revenue arrears at the end of fiscal year	**63,720**	**71,576**
Commercial Tax	34,569	36,952
Income Tax	24,110	29,663
Profit Tax	5,041	4,960
Arrears older than 12 months	**40,911**	**52,627**
Commercial Tax	16,259	25,197
Income Tax	19,646	22,470
Profit Tax	5,007	4,960
Arrears as percent of total revenue collections	1.2%	1.2%
Arrears older than 12 months as percent of total arrears	24%	34%

Source: Internal Revenue Department, MOPFI

Current improvement efforts:

Based on the Tax Reform Plan (2017/18-2021/22) of Myanmar, Tax Administration and Procedures Law (TAPL) has been approved by Pyidaungsu Hluttaw, which has become effective on 1 October 2019. This is a major step towards the modernization of tax administration based on good practice and improvement in taxpayer compliance through more efficient and comprehensive procedures. Key features of the TAPL include clear guidance to taxpayers and officers to pay and collect the right amount of taxes; the creation of Taxpayer Identification Number (TIN); anti-tax avoidance and evasion measures; and a specific provision on the administrative review and appeal process.

The IRD is receiving technical assistance from multiple resident international audit advisers in both LTO and MTO-1 to support institutional strengthening of the audit units and technical capacity of its staff.

PI-20. Accounting for revenue

This indicator assesses the extent to which the major revenue authorities undertake reporting, consolidating, recording and reconciling tax revenue accounts. It consists of three dimensions that will be assessed based on the current information. Currently available information is used to assess all dimensions. Like PI-19, the indicator was rated using the information provided by the IRD, the largest tax collection agency which is responsible for the majority of revenue collection.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-20 Accounting for revenue	**C+**	**Overall rating based on M1 methodology**
20.1 Information on revenue collections	A	Monthly report on the revenue data collected by all ministries includes the brake down by revenue type.
20.2 Transfer of revenue collections	A	IRD, which accounts for most (80%) of overall tax revenue, transfers the collection directly into the account controlled by MEB on a daily basis.
20.3 Revenue accounts reconciliation	C	IRD conducts reconciliation of tax revenue collection, arrears and transfers upon receiving bank account statements from Myanmar Economic Bank on monthly basis. The report is submitted to Treasury Department and Budget Department. The year-end reconciliation is undertaken within two months of the end of the fiscal year.

20.1. Information on revenue collections

This dimension assesses the extent to which the MOPFI coordinates revenue administration activities and collects, accounts for, and reports timely information on the revenues collected. An 'A' rating requires a central agency to obtain revenue data at least monthly from entities collecting all central government revenue, and provide a report disaggregated by revenue type.

Union Ministries under the schedule (1) of the Union Tax Law are required to submit the tax collected against the estimate targets to the Budget Department of the MOPFI on a monthly basis. An analysis of the tax collection progress is prepared by the Budget Department which is submitted to the Union Government. Then, the Union Government submits a six-month progress report to the Union Parliament.

Data from the monthly report for the month of June 2019, was broken down by revenue type, cumulative revenue collection up to the reporting month, revenue collection by the end of the month and revenue collection of the month as a percentage of the revised estimate. It covers all types of revenue collected by all Union Ministries.

Dimension rating: A

20.2. Transfer of revenue collections

This dimension assesses the promptness of transfers of revenues collected so that they are available to the Treasury Department. All revenue collected by the major revenue collecting agency IRD is transferred to MEB on a daily basis. IRD accounts for 80% of central tax collection, thus accounting for most of the government's tax revenue.

Dimension rating: A

20.3. Revenue accounts reconciliation

This dimension assesses the timing of complete reconciliations all assessments collections arrears and transfers to the Treasury Department. An 'A' rating requires agencies collecting most central government revenue to conduct complete reconciliation of assessments, collections, arrears and transfers to Treasury Department (and other designated agencies) at least quarterly within four weeks of the end of the quarter.

IRD conducts reconciliation of tax revenue collection, arrears and transfers upon receiving bank account statements from Myanmar Economic Bank on a monthly basis. The report is submitted to the Treasury Department and Budget Department. The year-end reconciliation is undertaken within two months of the end of the fiscal year.

Dimension rating: C

PI-21. Predictability of in-year resource allocation

This indicator assesses the extent to which the central Ministry of Planning, Finance and Industry can forecast cash commitments and requirements and provide reliable information on the availability of funds to budgetary units for service delivery.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-21 Predictability of in-year resource allocation	**B**	**Overall rating based on M2 methodology**
21.1 Consolidation of cash balances	C	Most bank and cash balances are consolidated on a monthly basis.
21.2 Cash forecasting and monitoring	B	There is a cashflow forecast, and this is updated quarterly on the basis of actual cashflows.
21.3 Information on commitment ceilings	B	Budgetary units are given drawing rights (which are effectively commitment ceilings) quarterly.
21.4 Significance of in-year budget adjustments	A	Small adjustments between budget lines are allowed within the approved budget amounts. Large changes are made during the supplementary budget once a year through the Parliament.

21.1. Consolidation of cash balances

This dimension assesses the extent to which the MOPFI can identify and consolidate cash balances in order to be able to release funds to spending agencies. An 'A' rating requires all bank and cash balances to be consolidated on a daily basis.

In September 2014, the new Treasury Department of MOPFI was established, with six divisions. The 'Cash Management' Division is responsible for consolidation of cash balances, cash forecasting and monitoring, and coordination between MEB and CBM. All government departments' s Union Fund Account (UFA) set up at MEB. 153 MEB branches out of 330 submit cash and bank balance report to MEB every Friday and MEB sends "Weekly Fund settlement" to Treasury Department every Friday on a weekly basis. Every end of the month, MEB submits bank statements and cash statements from all branches to CBM. CBM maintains the Government Deposit Account for issuing debit and credit of subsidies for State and Region governments, SEEs contribution, treasury bonds/bills issuance, repayment, redemption, renewal and surplus or deficit of UFA. CBM consolidates and reconciles all the statements received from the branches of MEB and the Government Deposit Account. CBM sends monthly statements to Treasury Department for consolidation within 3 months. Treasury Department manages the consolidated account of the government.

Most bank and cash balances are consolidated on a monthly basis. As per 2017 FRR, Union level Ministries (except the Ministry of Defence) maintain their accounts according to 'Directives for maintaining accounts for the primary account unit of departments' and at the end of the month, monthly reports (Sa Ya) are submitted to the Accounting and Reporting Division, Treasury Department, together with the required forms including position of cash balance: this is done by the 24th day of the next month.[43] All departments comply with these instructions and submit their cash and bank balances on a monthly basis. Cash management Division sends the cash and bank reconciliation summary to the Accounting and Reporting Division of the Treasury Department on a monthly basis. However, due to the paper-based nature of the reconciliation process, this is done with a delay of 2-3 months.

Dimension rating: C

21.2. Cash forecasting and monitoring

This dimension assesses the extent to which budgetary unit commitments and cash flows are forecast and monitored by the MOPFI. An 'A' rating requires a cash flow forecast to be prepared for the fiscal year and updated monthly on the basis of actual cash inflows and outflows.

The Treasury Department prepares a cash flow forecast for the fiscal year and this is updated quarterly – based on actual cash inflows and outflows – by a Cash Management committee, with members from CBM, Treasury Department, MEB, Budget Department and Internal Revenue Department. Treasury Department prepares a forecast of cash flows (revenue) based on the cash plans of each ministry which are submitted quarterly since FY 2015-16. In 2018-19 FY, the cash plan is exactly linked to the drawing limit to accurate cash forecasting.

Dimension rating: B

21.3. Information on commitment ceilings

This dimensional assesses the reliability of in-year information. An `A` rating requires the budgetary units to be able to plan and commit expenditure for at least six months in advance in accordance with the budgeted appropriations and cash/commitment releases.

Each ministry, department and agency set their own quarterly spending limits and can commit expenditure accordingly based on their budget appropriations. Budgetary units are provided reliable information on commitment ceilings such as staff salary, plan activities, committed expenditure, procure inputs for effective service delivery at least quarterly in advance.[44]

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43 2017 Myanmar FRR para 268 – Account of the union level ministries

44 As per the 2017 FRR para 209, the Treasury Department shall issue necessary directives with regard to cash management of departments and organizations that are covered in the Union fund scheme. As per the instruction of Contingency, budgetary units submit their monthly and quarterly cash plan and commitment plan (October to September) not later than on 25 July to Treasury. Treasury analyzes and approves the cash plan and sends it to the MEB for the drawing limits. The budgetary unit submits the updated cash plan in October 27 after Hluttaw approved the budget. MEB delivers a summary of drawing limit statements of central organizations and the Union Ministries to the Treasury Department in the end-month of each quarter.

Since FY 2015/16, Cash Management Division, Treasury Department prepared the cash management report annually and provided the analysis table of actual and cash plan and commitment amounts with the explanation to the Union Minister's office of the MOPFI. As per Treasury Department's instruction, every department submitted their quarterly actual and estimated cash plan (or) commitment amount to the Treasury Department with an explanation for cases with more than 10% deviation. Treasury Department monitored and provided the guidance to respective departments to overcome the main cash flow problems such as different exchange rate for revenue and expenditure of embassies and consulates of Myanmar at other countries, delaying the construction process of office building, staff housing, other construction activities due to the late approval by construction permit, using estimated life insurance cost instead of actual cost, using temporary cash plan instead of actual cash/commitment plan by MOE and MOHS due to the delayed submissions by their many budget entities. In addition, the Union Government Office issued the instruction (Date: 16.3.2015) for quarterly drawing limits for each department which needs to be consistent with quarterly cash plans, effective from April 2015. Since the 2018/19 FY, the cash plan has been linked to the drawing limits to achieve more accurate cash forecasting.

Dimension rating: B

21.4. Significance of in-year budget adjustments

This dimension assesses the frequency and transparency of adjustments made to budget allocations. An 'A' rating requires significant in-year adjustments to budget allocations to take place no more than twice in a year and done in a transparent and predictable way.

Small adjustments between budget lines are allowed within the approved budget amounts. Large changes are made during the supplementary budget once a year through the Parliament. Budgets are adjusted during the year through the supplementary grant budget. Under the new fiscal year (October-September), the Budget Department sends a supplementary budget circular to all departments in February and all departments are to respond back to the Budget Department in March. Budget Department compiles and prepares the Union Supplementary Appropriation Bill together with the Supplementary Grant of Union Level departments and organizations and submits it for approvals to the Union Minister's Office of MOPFI, Financial Commission, the Union Government and the Pyidaungsu Hluttaw. Pyidaungsu Hluttaw approves the Union Supplementary Appropriation Bill in May.

Dimension rating: A

Current improvement efforts:

In 2019, Treasury Department implemented the Financial Information Reporting System for the Treasury (FIRST) for producing financial reporting, union fund account reconciliation and cash forecasting. Treasury Department will extend the on-line reporting system with a pilot 14 departments in 2020.

PI-22. Expenditure arrears

This indicator measures the extent to which there is a stock of arrears, and the extent to which any systemic problem is being addressed and brought under control. The first of the two dimensions is assessed using the information for the last three completed fiscal years while the second dimension uses the information applicable at the time of the assessment.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-22 Expenditure arrears	**C+**	**Overall rating based on M1 methodology**
22.1 Stock of expenditure arrears	A	The stock of expenditure arrears is less than 1% of total expenditure in 2016/17 and 2017/18 fiscal years, two of the last three completed fiscal years for which data was available.
22.2 Expenditure arrears monitoring	C	Data is generated annually at the end of the fiscal year on the stock and composition of arrears.

22.1. Stock of expenditure arrears

This dimension assesses the extent to which there is a stock of expenditure arrears. Expenditure arrears must not exceed 2% total expenditure for at least two out of three past budget years to attain an 'A' rating.

MOPFI keeps records expenditure arrears for each Ministry. This constitutes a change since the last assessment when no consolidated record covering most categories of payments in arrears was maintained. The Assessment Team was provided with arrears data for two fiscal years (2016/17 and 2017/18) for State Administrative Organizations and 15 Ministries, totalling MMK 676.3 million and MMK 97.6 million respectively. Both were a fraction (less than 1% using figures in PI-1) of actual expenditure for each year. Line Ministries have to request an arrears payment from the Budget Department, which sends a formal approval letter for the identified budget line. Given the available evidence, arrears are permitted for small payments such as coverage of utility obligations (e.g. electricity).

Dimension rating: A

22.2. Expenditure arrears monitoring

This dimension assesses the extent to which any expenditure careers are identified and monitored. An 'A' rating expects in-year arrears to be monitored, as well as data to be compiled on the stock, age, and composition of expenditure arrears within four weeks of the end of each quarter.

A change in practice since the last assessment now requires Ministries (departments and SEEs) to report arrears information to MOPFI. Information on the stock and composition of arrears is consolidated at the end of the fiscal year. The submission date for the arrears request is also recorded. MOPFI issued the Expenditure arrears directive (Ref: MOPFI/4392/2018) to all departments on Nov 30, 2018. As per the directive, MOPFI allows the following evidence-based payments as expenditure arrears (1) taxation, Asymmetric digital subscriber line (ADSL), telephone, internet fees, electricity utilities fees which were paid based on payment invoice, (2) staff salaries, honoraria, remote local allowances, travel allowances, staff transfer costs.

Dimension rating: C

PI-23. Payroll controls

The civil service wage bill is the largest share of government expenditure and payroll controls affect fiscal discipline. This indicator assesses the extent to which the central government manages payroll for civil servants and personnel records. It comprises four dimensions. Current information is used for dimension 23.1, 23.2 and 23.3, and data on 2015/16, 2016/18 and 2017/18 are used for dimension 23.4.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-23 Payroll controls	**B+**	**Overall rating based on M1 methodology**
23.1 Integration of payroll and personnel records	B	Payroll and personnel records are decentralized at ministry level. Changes made are recorded and checked against the previous month's payroll. Staff hiring and promotion is controlled by a list of approved staff positions. Given the decentralized and paper-based nature of management of records, no direct links established for budget control and data consistency.
23.2 Management of payroll changes	B	Personnel records and payroll information are updated on a monthly basis and require a few retroactive adjustments, which OAGM estimates to be less than 10%.
23.3 Internal control of payroll	B	All changes to personnel and payroll data require the approval from the head of the respective department. An audit trail is in place that provides information on the date of entry, type of entry, staff information related to the transaction.
23.4 Payroll audit	A	Payroll audits are conducted as part of the annual external audit by OAGM.

23.1. Integration of payroll and personnel records

This dimension assesses the degree of integration between personnel payroll and budget data. An \`A\` rating requires the approved staff list, personnel database, and payroll to be directly linked to ensure budget control, data consistency, and monthly reconciliation. The payroll should be underpinned by a personnel database that provides a list of staff to be paid every pay period. This list should be verified against the approved establishment list, or other approved staff list on which budget allocations are based, as well as against individual personnel records or staff files.

Myanmar's civil service is estimated at one million staff comprising all Union Ministries and departments, subnational departments, police force, state-owned economic enterprises and civil servants in the Ministry of Defence. This total does not include the armed forces personnel. The wage bill accounts for more than 80 percent of the current expenditure of the central government. There is no centralized personnel records or payroll system in place. The Union Civil Service Board is responsible for the recruitment of gazetted staff; however, they do not have a database system for civil service personnel records. The Minister's Office of each Ministry manages the personnel records of all departments under the concerned Ministry.

Payroll data and personnel records are paper-based and highly decentralized across all GOM agencies. Each agency submits mostly the printed copies of budget form 2C for the wage bill and 2D for the cadre by grades as part of the budget submission to the Budget Department of MOPFI (more specifically to Ministries and Departments Division, Inter-Governmental Fiscal Relations Division and SEEs Division). All government agencies are required to submit the monthly staff list to PAPRD of the MOPFI.[45]

Staff recruitment and promotion are- controlled by a list of approved staff positions and any changes made to personnel records are scrutinized against the previous month's payroll data on a monthly basis.[46]

Dimension rating: B

23.2. Management of payroll changes

This dimension assesses the timeliness of changes to personnel and payroll data. An `A` rating requires changes to the personnel records and payroll to be updated at least monthly, with a maximum of 3% of salary payments requiring retrospective adjustments.

The Administration and Accounts Unit of each department is responsible to report changes of personnel records to the Head of the department for approval. After the approval process, an internal notification letter is sent to the accounts section to calculate the payroll for the coming month. The rules related to the payment and transfer of salaries are set under Chapter 9 of the 2014 Civil Service Rules, and these are adhered to.

Personnel records and payroll are updated on a monthly basis, as all government entities submit personnel reports to the OAGM each month: these require few retroactive adjustments: the OAGM confirmed to the Assessment Team that retroactive adjustments are less than 10% of the payroll. If an over or under payment on salary occurs, it is adjusted in the following month's payroll. During the course of an audit, OAGM verifies these adjustments in payroll with supporting documents such as "chalans" (payment voucher). If the agency does not make the adjustments, OAGM recommends to adjust and follow-up during the next audit. The Assessment Team was not able to quantify the extent of retroactive adjustments to justify a higher rating.

Every Administration and Accounts Unit of a Department maintain the staff service book, the personnel change records attached with the departmental directives and order announcements throughout the civil servant's life, payroll and leave records. An accountant calculates the staff payroll based on the records and submits to a controlling officer for approval and reconciles the payroll data with personnel records on a monthly basis. Some departments have Human Resource management software to maintain their staff records and payroll.

Dimension rating: B

23.3. Internal control of payroll

This dimension assesses the controls that are applied to personnel and payroll data. An `A` rating requires a restricted authority to change records and payroll, adequate to ensure full integrity of data and resulting with an audit trail.

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45 One of the PAPRD's function is "To analyse the organization structure, cadre statement, and pay scale of government's ministries/ institutions".

46 In many departments it is considered an operational norm to fill about a third of approved positions.

All changes to personnel and payroll data require the approval from the head of the respective department. An audit trail is in place that provides information on the date of entry, type of entry, staff information related to the transaction. The Assessment Team determined the procedure to be restricted and clear but due to the paper-based nature of the process was not able to confirm the full integrity of the data, but considers it to be high integrity based on the discussions with the OAGM and their external audit of the payroll.

The compliance is also supported by the self-review function in the payroll area. The Assessment Team reviewed a sample of reports which confirms that the monthly departmental reconciliations were being conducted and there were very few issues raised about non-compliance with policies and procedures or data integrity: less than 10%. The Assessment Team also had discussions with the OAGM, who advised that their payroll audits reveal similar findings. They, however, identified that the controls over casual daily labour in terms of both the adequacy the supporting documentation maintained, and identity verification could be improved. This evidence suggested that there are strong controls in this area for permanent staff even at the deconcentrated/ service units' level.
Dimension rating: B

23.4. Payroll audit

This dimension assesses the degree of integrity of the payroll. An 'A' rating requires a system of annual payroll audits with audits undertaken regularly to fill data gaps and expose control weaknesses.

Payroll audit is part of the auditing process carried out by the Office of the Auditor General (OAGM) that covers both departments and state-owned economic enterprises. Comprehensive payroll audits are conducted annually by OAGM as this makes up a high proportion of total expenditure. Based on the audit findings and recommendations, audited entities are required to take appropriate actions.

The Assessment Team observed that the internal audit teams were formed in many of the departments as per the 2017 FRR. An internal audit team are expected to provide internal assurance to management about the accuracy and control of payroll processing. OAGM also conducts payroll audits regularly during the financial audit, and appropriate action has been taken by the respective entities to address the weaknesses identified by the internal auditors. OAGM payroll audit covers for departments and government entities within three months after the OAGM receives the financial report from respective government entities.

As evidenced by the JPAC's review of audit reports on FY 2016-17[47], ghost workers' salary of 3.934 MMK billion at Lewai Township Education Office, Mandalay Division was reported by auditors and the necessary action were taken in timely manner by senior management. As a result, the responsible staff had deposited those amounts to respective Township Education Office's account in October 2017 and punishment for respective staff were taken as per civil staff rules and regulations. In addition, MOE issued the instruction for Union staff, State and Division Education Officers and Township Education Offices to conduct more financial monitoring visits to all schools.

A strong system of manual payroll audits covering all central government entities has been conducted at least once in the last three completed fiscal years by OAGM. Auditor controlled weaknesses and

47 Joint Public Accounts Committee Report (7/2018) on the Office of the Union Auditor General audit report for fiscal year 2016-2017:

identify ghost workers as per discussion with OAGM, government entities and through the JPAC review report for Audit Report FY 2015/16, FY 2016/17 and FY 2017/18.
Dimension rating: A

Current improvement efforts:

The Budget Department plans to implement a web-based Human Resource Management Information System (HRMIS), which was one of the recommendations of the joint Government of Myanmar-World Bank review on pay, compensation and human resource management conducted in 2016/17.

PI-24. Procurement

This indicator examines key aspects of procurement management with focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. It contains four dimensions and was assessed using the last completed fiscal year, 2017/18, for all four dimensions.

Procurement reforms in Myanmar are at an early stage. A notable feature of public procurement is its high degree of decentralization. There is no central government agency with general oversight for public procurement, and by extension responsible for systematic procurement monitoring. Nonetheless, open competition is the default method of procurement in the Government Procurement Directive. Over 88% of contracts by 8 high volume and value procuring entities procure through open competition. Public access to procurement information is limited to publication of procurement opportunities in national newspapers and entities' own websites; and a copy of the Procurement Directive published on the presidential website. Though a provision for complaint review exists for which no fee is charged, it is not clear whether the Ministry whose procurement complaint is being reviewed is excluded from the panel. Thus, the independence of the complaints system is no clear. In addition, no timeframe has been given for resolution of complaints and there is no provision to suspend the procurement process in contention whilst the review is in progress.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-24 Procurement	**D+**	**Overall rating based on M2 methodology**
24.1 Procurement monitoring	D	There is no central agency responsible for procurement monitoring and evaluation. No database or records for monitoring and reporting systems are in place within government at the central level for monitoring to ensure value for money and promote fiduciary integrity. There is no provision in the Procurement Directive for procurement monitoring functions. However, some individual procurement entities keep good records of procurement information to be considered as part of the OAGM audits. There is no system to consolidate this information to provide a holistic picture of how the procurement system is performing to deliver value for money for government.

Indicator/Dimension	Score	Brief justification for score
24.2 Procurement methods	B	In line with Articles 10 and 11 of the Procurement Directive, all procurement contracts are required to go through some level of competitive tendering depending on set threshold. Direct contracting is only allowed in exceptional circumstances clearly stated in various provisions of the directive. Out of the 642 large value contracts with value of over 100 million kyats procured by 8 ministries that conduct highest volume of procurement out of the 25-line Ministries, 565 (88%) tenders were conducted through open competitive method. For contracts less than 100 million kyats, more than 80% were contracts through request for Quotation method, also a competitive method.
24.3 Public access to procurement information	D	Out of the six criteria, only two fully meet the assessment requirements: (1) legal and regulatory framework for procurement and (2) bidding opportunities. From 642 large value contracts with value of over 100 million kyats per contract procured by 8 ministries assessed, 425 contracts (66%) in additional to posting in national newspapers also publicly posted on websites and notice boards. No annual procurement statistics are prepared nor published for public access.
24.4 Procurement complaints management	D	No data exists to confirm application of the complaint handling mechanism by any of the procurement entities (Ministries) assessed. The provision under the Procurement Directive allows complainants to seek redress from MOPFI, but no provision of detail regulation, procedure or guidance of how the mechanism works.

24.1. Procurement monitoring

For efficient and trusted monitoring of procurement, there must be a provision within the legal framework and system in place to support it. There is no provision in the Procurement Directive for procurement monitoring functions. More importantly, there is no central agency in Myanmar responsible for procurement monitoring and evaluation. There are also no prudent database or records for monitoring and reporting systems in place within the government at the central level for monitoring to ensure value for money and promote fiduciary integrity.

Some individual procurement entities keep records of procurement information for auditing purposes by the Office of Auditor General (OAG), however, performance reviews of procurement in terms of savings and value for money are not conducted. In the meantime, procurement is highly decentralized and will require a good system in place to collate and analyse procurement information.

Dimension rating: D

24.2 Procurement methods

In line with Articles 10 and 11 of the Procurement Directive, all procurement contracts are required to go through some level of competitive tendering depending on set threshold. Direct contracting is only allowed in exceptional circumstances clearly stated in various provisions of the directive. As per procurement directive No. 1 /2017, Tender Committee shall perform the following procedures for the procurement of goods or services:

- Procurements with less than 10 million kyats in value may not require tender invitation and shall be done through requesting price quotations from goods or services supplier from at least three most trusted companies and obtain procurement of goods or services from the supplier with the lowest price proposal.
- Procurements with value within 10 to 100 million kyats shall require significant advertisement to be placed on the notice boards at relevant Ministries, General Administration Department, District Department, and Department Offices two weeks in advance of the date of the tender opening. In addition, tender committee should be formed which include officials from the procurement department with at least 3 persons from related departments and organizations.
- Procurements with value over 100 million kyats shall require significant advertisement clearly specifying the type of business for procurement of goods and services for at least twice in the state-owned newspapers distinctly one month in advance of tender opening. Similarly, the advertisement shall be placed at the Ministry's website at least one month in advance.

Table 3.12 below shows contracts from 8 highest procuring entities in terms of value out of 25 Ministries.

TABLE 3.12: Large value procurement contracts

Large value (> K 100 million) contracts implemented				
Ministry (departments/agencies/ministry)	Amount (Kyat Million)	Number of Contracts implemented	Number of Contracts advertised	Number of Contracts awarded
Ministry of Education (10)	100,272.72	163	57	161
Ministry of Health and Sports (10)	79,716.48	94	85	73
Ministry of Planning, Finance and Industry (18)	14,389.37	21	12	8
Ministry of Construction (5)	13,939.47	4	23	14
Ministry of Agriculture, Livestock and Irrigation (15)	33,604.45	42	35	23
Ministry of Transport and Communication (18)	50,018.90	69	106	81
Ministry of Electricity and Energy (9)	164,920.84	134	132	65
Ministry of Industry (1)	50,915.53	115	115	-
Total for 85 Departments/Agencies and 1 Ministry	**507,777.76**	**642**	**565**	**425**

Out of the 642 large value contracts with a value of over 100 million kyats procured by 8 ministries that conduct the highest volume of procurement out of the 25-line Ministries, 565 (88%) tenders were conducted through the open competitive method. For contracts less than 100 million kyats, more than 80% were contracts through a request for Quotation method, also a competitive method.

Dimension rating: B

24.3. Public access to procurement information

Assessing the dimension against six key indicators, the following table provides a broad picture of public access to procurement information in Myanmar:

TABLE 3.13: Public access to procurement information

Element/ Requirements	Met (Y/N)	Evidence used/ Comments
(1) Legal and regulatory framework for procurement (President's Office Directive 1/2017 on procurement)	Y	The President's Office Directive 1/2017, "Tender Procedures to be followed for Construction Works, Procurement of Goods and Services and, Leasing and Selling of State-owned Property carried out by Government Departments/Agencies" https://www.MOPFI.gov.mm/sites/default/files/upload_pdf/2018/12/Procurement%20Directive.pdf
(2) government procurement plans	N	Government procurement plans are not published/available to the public
(3) bidding opportunities	Y	Bidding opportunities are available to the published in national newspapers through tender announcements and invitations. Some entities with websites in addition post bidding opportunities at respective department's website. Example https://moey.gov.jm/invitation-for-bids
(4) contract awards (purpose, contractor and value)	N	Criteria not 100% met. There is no mention of this requirement in the procurement Directive. There is inconsistent practice
(5) data on resolution of procurement complaints	N	Data on the resolution of procurement complaints are not available to the public
(6) annual procurement statistics	N	Annual procurement statistics data on the resolution of procurement complaints are not available to the public

Only two of the six criteria fully meet the assessment requirements: (1) legal and regulatory framework for procurement and (2) bidding opportunities. From 642 large value contracts with a value of over 100 million kyats per contract procured by 8 ministries assessed, 425 contracts (66%) in addition to posting in national newspapers also publicly posted on websites and notice boards. No annual procurement statistics are prepared nor published for public access.

Dimension rating: D

24.4. Procurement complaints management

The detailed procurement complaints resolution mechanism defined in the procurement directive No. 1 /2017. Tender Committees of the procuring entity involved are mandated to be the first point on resolution and are to investigate when a tenderer raises its complaints in the tender selection process with sound evidence and reasons. Whilst Articles 46 and 47 of the Procurement Directive make provision for complaint handling mechanism, no data exists to confirm its application by any of the procurement entities (Ministries) assessed.

There are a number of matters left unaddressed by the provision. The provision allows complainants to seek redress from MOPFI if not satisfied with the procurement entity's resolution. It is not clear whether the complaint panel to be formed by the three representatives of 3 Ministries can include the Ministry involved in the complaint. Second, the decision by the Complaint Panel set up by MOPFI is considered binding but it is unclear whether the procedure allows for subsequent access to an external higher authority thereafter or not.

Third, the Directive does not also clarify if the panel can exercise the authority to suspend the procurement process whilst the case is under review. Though Articles 46 and 47 of the Procurement Directive make provision for complaint handling mechanism, there is no detail regulation, procedure or guidance of how the mechanism works. In addition, there is no existence of any complaint handling body with its defined procedure to handle complaints. This is reinforced by the non-existence of data or any documentation to confirm complaints received and/or resolved. None of the Ministries interviewed know about the existence of such body. There is no database of blacklisted suppliers or non-performing suppliers maintained by a department. No timeframe is specified in the Directive for handling complaints and as well, no system for data capturing and subsequent publishing of complaint cases are available. No fees are charged for complaints made by bidders.

Dimension rating: D

PI-25. Internal controls on non-salary expenditure

This indicator focuses on non-salary expenditure and covers expenditure commitments and payments for goods and services, casual labour wages, and discretionary staff allowances. It includes a wide range of processes and internal controls for different types of payments across central government including segregation of duties, commitment controls and payment controls. There are a broad range of processes, with many types of expenditure and a large number of different people Involved. This increases the risk of incorrect and/or inconsistent application or circumvention of any procedures and controls that may be in place. This makes it particularly important for assessors to establish whether effective controls exist. This indicator and all of its dimensions are scored based on practices and information applicable at the time of the assessment.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-25 Internal controls on non-salary expenditure	**B**	**Overall rating based on M2 methodology**
25.1 Segregation of duties	C	Appropriate segregation of duties is prescribed throughout the expenditure process. While responsibilities are clearly laid down for most key steps, more precise details may be needed.
25.2 Effectiveness of expenditure commitment controls	B	The drawing limits effectively limit commitments to actual cash availability and approved budget ceilings for most types of expenditure.
25.3 Compliance with payment rules and procedures	B	Most payments are compliant with regular payment procedures, and the majority of exceptions are properly authorized in advance and justified.

25.1. Segregation of duties

This dimension assesses the extent to which duties are segregated between different government officials. An ‘A’ rating requires appropriate segregation of duties to be prescribed throughout the expenditure process with clearly laid down responsibilities.

Segregation of duties is prescribed throughout the expenditure process and are laid down through the 2017 Financial Rules and Regulations. Responsibilities for most key steps are present but further details may be needed in a few areas, as interviews with line Ministries staff disclosed a lack of understanding of some of these responsibilities.

There is also a risk of management override. Based on the 2017 Financial Regulations, Chapter VIII, Responsibility and Internal Supervision refers to duties and responsibilities of (i) the controlling officer[48] (ii) the drawing officer[49] (iii) the cashier and collector. The Controlling officer should be the head or officer in-charge of a department or an organization who is mainly responsible for the management and supervision of public funds in accordance with financial laws, rules and procedures. The Controlling officer has the responsibility of supervising all the financial matters related to the expenditure from permitted allocations for the financial year and complete a review to ensure expenditure:

- does not exceed the permitted appropriation amount;
- has been incurred only for the matters planned and already included in preparation of the budget;
- the purpose of expenditure is for the benefit of public.

The Controlling officer can appoint one or more cashiers. In performing daily cash functions, heads of departments set the maximum amount of funds that a cashier will hold in hand with any excess funds kept in a cash box secured with two padlocks. All the funds received must be deposited into banks on a daily basis at the specified times.

Dimension rating: C

25.2 Effectiveness of expenditure commitment controls

This dimension assesses the effectiveness of expenditure commitment controls. An `A` rating requires a comprehensive expenditure commitment controls in place and effectively limit the commitments to projected cash and approved budget allocations.

Commitment controls are not in place at the spending unit level. This is mitigated by the drawing limits that effectively limit commitments to actual cash availability and approved budget ceilings. Myanmar's PFM systems are still largely managed on a manual basis and the cash-based accounting system using single-entry bookkeeping. Spending agencies record and control their commitments and other obligations such as salaries and wages, contract payments and loan repayments as per their medium-term fiscal framework. The Treasury Department has taken on a cash management function starting in 2015/16 FY to achieve better control of cash flow and drawing limit and the liquidity. After the Parliament's approval of the annual budget law, every agency is required to submit its quarterly cash plan to the Treasury Department before the 27th day of the first month of each financial quarter.

In the financial year 2017/18, there was a discrepancy of over 10% between the cash plan and actual cashflow - for cash receipts except for July, September and December and, for cash payments except for May and March. This indicates that the reliability of cash flow forecasting needs improvement. Paragraph 208 of the FRR outlines that, "The purpose of cash management is to initiate payments of any amounts required where necessary for settlement and spending of funds by the government".[50]

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48 In summary, the Controlling officer role is to supervise and control expenditure to ensure the correctness and accuracy of financial operations, compliance of financial rules and regulations, appropriate spending funds and avoidance of wastage or losses of his/her spending unit/ office.

49 A Drawing officer the person who is delegated the power by the head or officer in-charge of a department to manage, control and collect relevant tax and other revenues, and incur expenditures properly in accordance with financial regulations within the budget limits of the Union or Region or State which are annually approved and enacted by the Pyidaungsu Hluttaw or the Region or State Hluttaw.

50 Cash Plan Report for FY 2015/16, FY2016/17 and FY 2017/18, Treasury Department, MOPFI

The Treasury Department cooperates with the Central Bank of Myanmar and the Myanma Economic Bank for the cash management of the Union Government. Most of the payment schedule information from the summary of the contracts is linked to the cash plan in the Treasury Department, therefore the available cash balance can be updated.

According to paragraph 79 of the FRR, the drawing officer must spend the funds only within the quarterly cash plan which is linked with the drawing limit at MEB. Drawing limits are communicated to the relevant MEB, and a copy distributed to the relevant primary Account Units of the spending agency as an effective commitment control.

Expenditure commitment controls are in place and the drawing limits effectively limit commitments to actual cash availability and approved budget ceilings for most types of expenditure. This is, however, is not considered as a comprehensive expenditure commitment control mechanism.
Dimension rating: B

25.3. Compliance with payment rules and procedures

This dimension assesses the extent of compliance with payment or rules and procedures. An 'A' rating requires that all payments comply with regular procedures and that all exceptions are properly authorized in advance and justified.

The compliance self-review (internal audit) function tests compliance with payment rules and procedures (see PI-26 Internal Audit for further information on these functions). The Assessment Team reviewed a sample[51] of these reports (70%) for selected Ministries for FY 2018/19, representing 60.5% of total expenditure[52]. As per this evidence, most payments, over 75% of those reviewed, were deemed compliant with regular payment procedures, procurement rules and tender directives. The internal auditors' management letters indicated that the majority of exemptions were properly justified and authorized in advance.

The level of compliance was also discussed with the OAGM who advised that their external audit work confirmed a high level of compliance with payment rules and procedures and that the majority of exemptions at least over 50%, are properly authorized in advance and justified. However, they advised that a key area of difficulty is the lack of detailed practical implementation guidance in the current procurement directives. This has meant that line Ministries have needed to make their own interpretations of the procurement directives requirements.
Dimension rating: B

PI-26. Internal audit

This indicator assesses the standards and procedures applied in internal audit. Under international standards and good practice, an effective internal audit function needs to be in place in all government agencies and subject to a quality assurance process. Internal audit activities should focus on the assessment of the adequacy and effectiveness of internal controls, and adhere to professional standards, including risk assessment techniques. The dimensions for this indicator are scored using different time periods (dimensions 26.1 and 26.2 use information at the time of the

51 The sample was derived using a random sampling methodology based on the team's assessment of risk and materiality.
52 Ministry of Agriculture, Livestock and Irrigation, Ministry of Natural Resources and Environmental Conservation, Ministry of Border Affairs, Ministry of Education, Ministry of Electricity and Energy, MOPFI-Treasury, and Budget Departments and others.

assessment; dimension 26.3 uses data from the last completed fiscal year, 2017/18; and dimension 26.4, is based on audit reports issued in the last 3 fiscal years, 2015/16, 2016/17 and 2017/18.

Indicator/Dimension	Score	Brief justification for score
PI-26 Internal audit	**D**	**Overall rating based on M1 methodology**
26.1 Coverage of internal audit	D	A compliance self-review process is operational at the departmental level within most line Ministries representing the majority of budgeted expenditures and for central government entities collecting the majority of budgeted government revenue. This does not however constitute a modern internal audit function.
26.2 Nature of audits and standards applied	NA	Self-review activities are primarily focused on financial compliance.
26.3 Implementation of internal audits and reporting	NA	Annual compliance self-review programs exist. The majority of departments audits are completed, as evidenced by the distribution of their reports to the appropriate parties.
26.4 Response to internal audits	NA	Management provides a partial response to recommendations for the majority of the departments audited.

Summary of scores and performance table

26.1. Coverage of internal audit

This dimension assesses the extent to which government entities are subject to internal audit. The Internal audit function for the Union departments and line Ministries were reviewed[53].

As identified in the 2013 PEFA Assessment report, Internal audit was not operational in most line Ministries. In 2017 the Union level and the State or Region level departments and organizations were required to establish internal auditing teams initiated by a senior official assigned by the departmental head after the 2017 Financial Rules and Regulations were promulgated. An audit committee consisting of all departmental heads and the Permanent Secretary was also required to be established. Where no Permanent Secretary was appointed at the Ministry level, the Director General of the respective Ministry may act as the head of the audit committee. The audit committee's responsibilities include monitoring internal auditing procedures and providing guidelines for internal management mechanisms, auditing and reduction of risks.

An 'internal audit' survey conducted across all Government agencies was conducted in 2019. This confirmed "internal audit is operational in central government entities representing the majority of budgeted expenditures and for central government entities collecting the majority of budgeted government revenue". An internal audit team has been established at 80% of the agencies based on the MOPFI survey. However, while functions had been established by the majority of agencies these were more in the nature compliance self-review functions rather than internal audit functions. This is because these functions do not meet international good practice standards as i) they are not permanent functions with dedicated staff; ii) they are not independent of line management (often led by the Director of Finance); and iii) they do not comply with international internal audit standards.

53 The rules of the Republic of the Union of Myanmar Regulations on Financial Management of Myanmar (2017) state that the organizational structure of the internal audit units and the Union level as well as the Region or State level departments and organizations must be regulated. They must also carry out internal auditing in order to monitor their activities and manage financial matters in accordance with the respective laws, rules, regulations, by laws and procedures.

As a result of these deficiencies, the 'internal audit' functions are not effective and the OAGM confirmed that they place no reliance the 'internal audit work' for the external audit assurance purposes.

Dimension rating: D

For the reasons identified above, the other dimensions of this indicator are not assessed and are considered not applicable. However, a sample of reports produced by these compliance self-review functions were reviewed and used as supporting evidence in the rating of PI-23-3 Internal control of payroll and PI-25-3 Compliance with payment rules and procedures.

26.2 Nature of audits and standards applied

This dimension assesses the nature of audits perform and the extent to which professional audit standards are followed. Internal audit activities are primarily focused on financial compliance.

The Budget Department, MOPFI collected data from all government entities and a sample of internal audit reports were provided. The sample of internal audit reports for the second quarter of the 2018/19 fiscal year were reviewed. Some of the reports focused on the adequacy and effectiveness of internal controls, while other reports focused on the adequacy of the organization's structure, workforce, staff service records, fixed asset register records, financial information and compliance with rules and procedures.

Based on the MOPFI survey conducted for internal audit functions for all Union government Ministries/ departments. No internal audit standards as such were applied and the functions activities were primarily focused on financial compliance. Internal audit teams generally identified a department's office transactions, filling, asset register, compliance with financial rules and procurement instructions, reporting, understanding the current internal control process, conducted fieldwork testing, followed up with department staff about identified issues, prepared an internal audit report, submitted to head of department, and followed up with management as needed to ensure recommendations were implemented.

Dimension rating: NA

26.3. Implementation of internal audits and reporting

This dimension assesses specific evidence that Internal audit is effective.

In 2013, compliance self-review (internal audit) reports were either non-existent or prepared only on an irregular basis. There has been a change since the 2017 directive was issued by MOPFI. The MOPFI survey and the attached supporting information provided evidence that annual audit programs are prepared by the majority of compliance self-review functions. Similarly, the sample supporting evidence reviewed by the Assessment Team demonstrated that the majority of programmed audits for FY2017/18 had been completed. This included evidence of the distribution of reports quarterly (or) bi-annually (or) annually to the appropriate parties.

Dimension rating: NA

26.4. Response to internal audits

This dimension assesses the extent to which management has taken action in response to internal audit findings.

In 2013, compliance self-review (internal audit reports) were prepared on an irregular basis and evidence of appropriate management actions being taken was either not available or the actions taken were often delayed. In 2019, based on the sample supporting evidence reviewed by the assessment team, there was evidence of reports being prepared and the management's actions being taken (Budget department, Treasury department and Ministry of Border Affairs). Management provided comments on the internal auditors' recommendations and had taken appropriate action to implement them where necessary. In the most cases, management had provided at least partial responses to all audit recommendations made for the majority of entities.

Dimension rating: NA

3.6 PILLAR SIX: Accounting and reporting

PI-27. Financial data integrity

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled. It also assesses how the processes in place support the integrity of financial data. This indicator and all of its dimensions are scored based on practices and information applicable at the time of the assessment. For dimensions 27.1, 27.2 and 27.3 this applies to coverage of the preceding fiscal year.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-27 Financial data integrity	**B**	**Overall rating based on M2 methodology**
27.1 Bank account reconciliation	C	Bank reconciliations for all active central government bank accounts takes place at least monthly, usually within 8 weeks from the end of each quarter.
27.2 Suspense accounts	B	Reconciliation of suspense accounts takes place at least monthly, within two months from the end of each month. Suspense accounts are cleared in a timely way, no later than the end of the fiscal year unless duly justified.
27.3 Advance accounts	B	Most reconciliations of advance accounts are completed within two months after the end of each month and are considered to be cleared in a timely way.
27.4 Financial data integrity processes	B	Access and changes to records is restricted and recorded, and results in an audit trail.

27.1. Bank account reconciliation

This dimension assesses the regularity of Bank reconciliations. An 'A' rating requires bank reconciliation for all active central government bank accounts to take place at least weekly at aggregate and detailed levels, usually within one week from the end of each week.

As regulated under the 2017 Financial Rules and Regulations, the 'Union Fund Account' shall be separately opened to distinguish accounts of departments and organizations that are covered in the Union fund scheme and private accounts[54].

Bank reconciliation is one of the cash management functions managed by the Treasury Department in coordination with CBM and MEB. Bank reconciliations for each active central government bank accounts take place at least weekly at both aggregate and detailed levels, usually within one week after the end of each week.

54 Bank accounts of the Union fund shall be consolidated by the CBM. MEBs shall submit a monthly statement of organizations operating which are covered in the Union fund scheme among their monthly statements to the CBM. The CBM shall consolidate all the accounts that are covered in the Union fund scheme and prepare monthly statements of the Union fund. This shall be delivered to the Treasury Department not later than 24th of subsequent month after the month of preparation. Region or State offices of MEB shall consolidate all the accounts that are covered in the Region or State fund scheme among their monthly statements and prepare monthly statements of the Region or State fund. This shall be delivered to the Region or State Budget Department concerned not later than 24th of subsequent month after the month of preparation

Treasury has access to daily consolidated reports on the reconciliation of all bank account balances both for the Treasury Single Account in the CBM and over 25,000 bank accounts of the spending units at the Myanmar Economic Bank. It enables the Treasury Department to analyse the cash position and cash flows to support budget preparation and execution decisions. Manual bank reconciliations are done weekly by the agency in which each individual bank account balance in MEB will be compared with the CBM records. A manual reconciliation is also done on a regular basis by the relevant agencies, as a double-check to confirm the CBM results by comparing the hard copy data on a monthly basis.

Bank reconciliation for all active central government bank accounts takes place at least monthly by the Treasury Department in coordination with CBM and MEB. However, this process is usually completed within 8 weeks from the end of each quarter.

Dimension rating: C

27.2 Suspense accounts

This dimension assesses the extent to which suspense accounts are reconciled on a regular basis and cleared in a timely way. An `A' rating requires a reconciliation of suspense accounts to take place at least monthly, within a month from the end of each month. Suspense must also be cleared no later than the end of the fiscal year unless duly justified.

Suspense accounts which include sundry deposits and liabilities are reconciled manually and at least monthly, within two months after the end of each month. Suspense accounts are cleared in a timely manner, no later than the end of the fiscal year. As a result, suspense accounts are not considered an issue by the external auditor (OAGM) and data issues are generally highlighted in the audited financial report as immaterial.

Dimension rating: B

27.3. Advance accounts

This dimension assesses the extent to which advanced accounts are reconciled cleared. An `A' rating requires a reconciliation of advance accounts to take place at least monthly, within a month from the end of each month.

There are two types of advance payments: (i) to staff, for prepaid travel allowances for travel to another township; and (ii) between organizations per financial regulations, up to 10% of the initial contract amount for consultants and procurement contracts. Most of the reconciliation of advance accounts is completed within two months after the end of each month and is considered to be cleared in a timely way as confirmed in discussion with OAGM.

Dimension rating: B

27.4. Financial data integrity processes

This dimension assesses the extent to which processes support the delivery of financial information. It focuses on data integrity, i.e. that data are accurate and complete. An 'A' rating requires access and changes to records to be restricted and recorded, establishing an audit trail. There should also be a unit or team in charge of verifying financial data integrity.

In Myanmar, financial data integrity is assured by the processing and recording of government transactions through the manual and paper-based systems. The internal control system is primarily guided by the financial rules and regulations however, supplementary internal regulations exist in some line Ministries. A sample of line ministries included procedures for segregating duties for changing personnel records and processing payroll, limiting the authority for changes and establishing an audit trail. In addition, where audit activity suggests that these checks are insufficient or insufficiently enforced to avoid a significant number of cases of incorrect payroll payments, particularly in deconcentrated units.

Audit trails constitute an important aspect of data integrity as they enable individual accountability, intrusion detection, and problem analysis. Based on the level of unqualified audits for the last three completed fiscal years, 2015/16, 2016/17 and 2017/18, access and changes to records are considered restricted and recorded and result in an audit trail. Internal audit team and external audit team's activities are primarily focused on financial compliance and verified financial data integrity.

Dimension rating: B

PI-28. In-year budget reports

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures. The indicator is assessed using information for the last completed full fiscal year, 2017/18.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-28 In-year budget reports	**C+**	**Overall rating based on M1 methodology**
28.1 Coverage and comparability of reports	B	Coverage and classification of data allows direct comparison to the original budget with partial aggregation. Expenditures made from transfers to de-concentrated units within central government are included in the reports.
28.2 Timing of in-year budget reports	C	Budget execution reports are prepared quarterly. All 4 quarterly reports for 2017/18 were issued internally within two months from the end of each quarter.
28.3 Accuracy of in-year budget reports	C	There may be concerns regarding data accuracy. Data is useful for analysis of budget execution. Expenditure is captured at least at payment stage.

28.1. Coverage and comparability of reports

This dimension assesses the extent to which information is presented in in-year reports in a form that is easily comparable to the original budget. An `A' rating requires the classification and coverage of data to be directly comparable to the original budget. Information should include all items of budget estimates as well as expenditures made from transfers to de-concentrated units within the central government.

The Budget Department is responsible for submitting the bi-annual and annual reports to the MOPFI, which is in turn responsible for submitting to the Pyidaungsu Hluttaw as per the financial regulations. Since the 2015/16 fiscal year, the MOPFI has been producing in-year budget reports for quarterly reporting purposes, as well as mid-year and annual reports.

Financial year 2017/18 reports include the income and expenditure, budget execution by economic and administrative classifications, line Ministry, departments and SEEs and financing and deficit data that are directly comparable with the original budget. The significant budget execution variances and brief comments on implementation progress, as well as the reasons, are explained in the reports. In-year budget execution reports are routinely made available to the public within three months of their issuance. These reports present a comparison with the budget estimates, revised estimates and temporary actual by economic and administrative classifications, including expenditures made by deconcentrated spending units in a summary table showing in-year budget report period covered by the report and issuing year of the reports.

Coverage and classification of data allow direct comparison to the original budget with partial aggregation. Expenditures made from transfers to de-concentrated units within the central government are included in the reports.
Dimension rating: B

28.2 Timing of in-year budget reports

This dimension assesses whether the information is submitted in a timely manner, accompanied by analysis and commentary on budget execution. An 'A' rating requires budget execution reports to be prepared monthly and issued within two weeks from the end of each month.

The Budget Department prepares the in-year budget execution report and makes them public upon approval from MOPFI. The four quarterly reports for the 2017/18 were published within 2 months from the end of each quarter. Exact dates for the three quarters are presented below:

- first quarterly report was issued on 30th of August 2017, covering April-June;
- second quarterly report was issued on 31st October 2017, covering July-September;
- third quarterly report was issued on 25th of February 2018, covering October-December.

Dimension rating: C

28.3. Accuracy of in-year budget reports

This dimension assesses the accuracy of information submitted including whether or not expenditure for both commitment and payment stages is provided. An 'A' rating requires reporting with no material concerns regarding data accuracy. An analysis of the budget execution should be provided on at least a 6-months basis, with information on expenditure at both commitment and payment stage.

The basic source of information for in-year budget reports and the accounts of GOM as a whole are detailed records maintained by spending units largely on a manual basis. The Assessment Team observed that the presentation of the report has been improving year by year. Timeliness, accuracy, coverage and comparability were assessed for the in-year budget reports for the financial year 2017/18. The report was released at a functional level. In-year budget reports consolidate all transactions and present accounts closed on a monthly basis by the 24th of the following month. There are no concerns regarding data accuracy as the majority of transactions are recorded by department and agencies and any adjustments after the closing date must be done through correcting journals. Data is useful for analysis of budget execution. Expenditure is captured at least at payment stage.

Dimension rating: C

PI-29. Annual financial reports

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. Each of the three dimensions for this indicator is scored using a different time period. Dimension 29.1 is assessed using the last completed fiscal year, 2017/18. Dimension 29.2 is assessed using the last annual financial report submitted for audit. Dimension 29.3 is assessed using the last three years' financial reports.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-29 Annual financial reports	**C+**	**Overall rating based on M1 methodology**
29.1 Completeness of annual financial reports	C	Financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They include information on revenue, expenditure, and cash balances.
29.2 Submission of reports for external audit	B	Financial reports for budgetary central government are submitted for external audit within 5 months of the end of the fiscal year.
29.3 Accounting standards	C	Accounting standards applied to all financial reports are consistent with the country's legal framework and ensure consistency of reporting over time. The standards used in preparing annual financial reports are disclosed.

29.1. Completeness of annual financial reports

The completeness of the financial reports is assessed by this dimension. An 'A' rating requires the preparation annual report of total revenue and expenditures, comparable with the approved budget. They should contain sufficient information in terms of the total debt owed by and guaranteed by the Government, along with the information about financial and non-financial assets.

The financial reports are prepared annually and consist of: (i) budget estimate, revised estimated and actual revenue and expenditure; (ii) comparison between accumulated figures of the current financial year and accumulated figures of the previous year (iii) implementation of the budget proposals of the departments and organizations for each cash account (iv) changes in foreign and domestic loans (v) monthly surplus or deficit of the Union and (vi) position of cash balance (vii) consolidating government bank reconciliations. The financial statements are prepared on a cash basis and include information on cash receipts, cash payments and cash balances.

Dimension rating: C

29.2 Submission of reports for external audit

This dimension assesses the timeliness of the submission after year-end financial reports for external audit. An 'A' rating requires financial reports for budgetary central government to be submitted for external audit within three months of the end of the fiscal year.

Financial reports for the budgetary central government are submitted for external audit within five months of the end of the fiscal year for the financial year 2017/18. The actual date of submission is the date on which the external auditor considers the report complete and available for audit.

TABLE 3.14: Annual financial report submission date to OAGM

Financial Year	FY end date	Date of receipt of the financial report by the OAGM	Number of months/days taken for the Annual financial statement
2017-18	31.03.2018	07.08.18 (Ref: Treasury – 4(2)/Ba-Pa Hat Sa/ (128/2018)	4 months and 7 days

Dimension rating: B

29.3. Accounting standards

This dimension assesses the extent to which annual financial reports are understandable to the intended users in order to contribute to accountability and transparency. An 'A' rating requires that annual financial statements to be prepared in accordance with the international standards. The standards used in preparing financial reports should be disclosed in notes and any variations between international and national standards should be disclosed and gaps explained.

The Government's annual actual revenue and expenditure of its agencies are prepared in accordance with the financial rules and regulations of 2017. The accounting standards that are applied to all financial reports, are consistent with the country's legal framework and ensure consistency of reporting over time. The standards used in preparing annual financial reports are disclosed as per the reporting format and form of the 2017 financial rules and regulations.
Dimension rating: C

Current improvement efforts:

An IPSAS Transition Plan and Roadmap was bilaterally approved by MOPFI and OAG on 4th of December 2019. The plan aims to improve the accountability and transparency of financial reporting by applying International Public Sector Accounting Standards to whole of government in Myanmar.. The overarching implementation road map has the following four phases (2020-2032):

- Phase 1 – Institutional Framework (2020-2021)
- Phase 2 – Implement Part 1 of the Cash-Basis IPSAS (2021-2022)
- Phase 3 – Implement Part 2 of the Cash-Basis IPSAS (2021-2025)
- Phase 4 – Implement Accrual-Basis IPSAS (2023-2032)

3.7 PILLAR SEVEN: External scrutiny and audit

PI-30. External audit

This indicator assesses the characteristics of external audit. Reliable and extensive external audit is an essential requirement for ensuring accountability and creating transparency in the use of public funds. The first three dimensions of this indicator are assessed based on the last three completed fiscal years, 2015/16, 2016/17 and 2017/18. The last dimension 30.4, is assessed using information applicable at the time of the assessment.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-30 External audit	**D+**	**Overall rating based on M1 methodology**
30.1 Audit coverage and standards	C	Most financial reports (80%) of central government entities are audited using national audit standards. The audits have highlighted any relevant significant issues.
30.2 Submission of audit reports to the legislature	D	The external audit reports were submitted to parliament within eight months in FY 2015/16, within nine months and 6 days in FY 2016/17 and within six months in FY 2017/18.
30.3 External audit follow-up	B	A formal, comprehensive, and timely response was made by the executive or the audited entity on audits for which follow-up was expected during the last three completed fiscal years.
30.4 Supreme Audit Institution independence	D	In practice, the OAGM operates independently from the Executive when conducting its audits, and has unrestricted and timely access to records, documentation and information. However, OAGM is restricted to access and audit to Ministry of Defence (as per the constitution), and there are restrictions regarding foreign investment and confidential economic data.

30.1. Audit coverage and standards

This dimension assesses Key elements of external audit in terms of the scope and coverage of audit as well as the extent to which audit standards are adhered to.

The Office of the Auditor General (OAGM), as Myanmar's Supreme Audit Institution (SAI), has a mandate to conduct financial audits of all central government entities, as well as local government agencies. It primarily conducts financial and compliance audits and is developing its performance audit capacity. Audits are conducted using national audit standards. However, financial audit methodology is being aligned with the level 4 ISSAI standards and overtime will become "risk-based". Currently, some audits, particularly at subnational levels, still audit a very high percentage of transactions. There is an annual audit cycle for all entities under its mandate and there are no significant audit arrears.

The origins of government auditing in Myanmar can be traced back to the pre-independence days of the British rule when an Auditor General was appointed by the Burma Act of 1935. In 1974, Pyithu Hluttaw constituted under the newly adopted constitution of the Socialist Republic of the Union of Myanmar and the Auditor-General Act of 1948 was repealed by section 67 of the Council of People's Inspectors law. As a result, with the exception of the office of the Controller of Military Accounts, the audit work covers total revenue, expenditure and assets, regardless of whether these are reflected in financial reports, except the Ministry of Defence. Over time, OAG has revised and improved the Auditor General of the Union Law, which are generally aligned with ISSAIs[55].

OAGM reports cover the most of accounts of receipts and payments of the Union and include audit reviews of: (i) the internal control system and non-budget operation; (ii) compliance with laws and regulations; and (iii) the status of follow-up audit findings and recommendations by a Ministry, department and organization. Audit reports have highlighted material and systemic issues. OAGM's audit contains additional notes, especially on the internal control system, where improvements are required. However, these findings are taken into account as a basis to express an audit opinion on the financial statements.
Dimension rating: C

30.2. Submission of audit reports to the legislature

This dimension assesses the timeliness of the submission of the audit report on budget execution to the legislature for last three completed fiscal years.

Based on the subsection (a) of Section 11 of the Auditor General of the Union Law, OAGM is required to submit a report, at least once a year relating to auditing the accounts of receipts and payments of the Union and in unusual situations from time to time in the session of the Pyidaungsu Hluttaw, Pyithu Hluttaw or Amyotha Hluttaw. The audit reports from OAGM have been submitted to the legislature more than nine months from receipt of the reports for audit for fiscal years 2016/17 (source from OAGM reports).
Dimension rating: D

TABLE 3.15: Submission timeline of audit reports to the legislature

Financial Year	Date OAG receives financial report	Date audit report submitted to the legislature	Number of months/days for OAG to submit report
2015-16	02.08.16 (Ref: Treasury – 4(2)/ UFA/ (131/2016)	29-03-2017 (Ref: Ya Aha Pha (U Sa Ya)/Treasury (064/2017)	7 months and 28 days
2016-17	25.07.17(Ref: Treasury – 4(2)/ UFA/ (107/2017)	30.04.18 (Ref: Ya Aha Pha (U Sa Ya)/Treasury (118/2018)	9 months and 6 days
2017-18	07.08.18 (Ref: Treasury – 4(2)/Ba-Pa Hta Sa/ (128/2018)	30.01.19 (Ref: Sa Sha – 5/Audit Report/(39/2019)	5 months and 24 days

55 The Auditor General of the Union Law No. 23/2010 stated that "The provisions contained in this Law shall not apply to the Ministry of Defense" at para.39. The Law Amending the Auditor General of the Union Law enacted on January 21 in 2013, October 10 in 2014 and January 22 in 2018. Thus, the Supreme Audit Institution is able to operate quite independently from the influence of the audited organizations and report its findings impartially and objectively with a view of the interests of the State and the public and for effective and successful achievement of the objectives of Audit.

30.3. External audit follow-up

This dimension assesses the extent to which effective and timely follow up on external audit recommendations is undertaken by the executive or the audited entity.

All line Ministries, departments and organizations are required to formally respond to the OAGM's findings and recommendations contained in the audit report within 30 days of receiving the audit report. They need to outline the actions they will take to address any issues raised.

OAGM provided supporting evidence of timely follow-up on the actions taken on audit recommendations or observations which had been undertaken by the auditees. Evidence was provided that showed that in the last three completed fiscal years, the follow-up to the OAGM audit findings included the issuance by the executive or audited entity of a formal written response to be addressed to OAGM within 30 days with a management letter. The Assessment Team reviewed a sample of responses to the managements letters and considers them to be comprehensive and timely.
Dimension rating: B

30.4. Supreme Audit Institution independence

This dimension assesses the independence of the SAI from the executive. There are areas where the current legal and constitutional arrangements impact on the OAGM's independence.

The key areas are the term and procedures for appointment and removal of the Auditor General of the OAGM, the restriction on OAGMs ability to report to the public, the restriction on OAGM's ability to independently recruit and remunerate staff and experts, and the fact that the OAGM's budget is subject to the same processes as line Ministries rather than being able to directly submit it to a Parliamentary committee.

In practice, the OAGM does operate independently from the Executive when conducting its audits in accordance with the Auditor General of the Union Law. The OAGM has unrestricted and timely access to records, documentation and information. However, OAGM is restricted to access and audit of the Ministry of Defence as per the constitution and faces restrictions regarding foreign investment and confidential economic data. The European Union and the World Bank conducted a specific review on OAGM independence against international good practice and more detail on the findings are provided below under current improvement efforts. They include recommendations that are not yet implemented.
Dimension rating: D

Current improvement efforts:

As mentioned above, the EU/WB review of OAGM independence made the following recommendations for amendment to the OAGM law to improve the Independence of the Auditor General of the Union and of Region and States Auditor Generals:

1. Include in the Law that the OAGM and region /States OAGs should be free from direction and interference in the selection of audit issues, and in planning, executing, reporting and follow-up of its audits.
2. Include in the Law that OAGM shall have the right to decide which information it needs for its audits. The Law should provide unrestricted access for auditors of the OAGM to records, documents, information, appropriate officials, staff and premises of the audited organization.

There should also exist an established and appropriate process for resolving disputes when required information is restricted or denied.

3. Stipulate in the Law that standards and methodology for the OAGM's work should be set by OAGM based on the International Standards of Supreme Audit Institutions (ISSAIs).
4. Establish adequate legal protection against any interference with the OAGM's and Region/State OAGs independence.
5. Include in the Law that the OAGM and Region/State OAGs have financial, managerial, and administrative autonomy.

It is also proposed to explore the possibilities for amending the sections in the constitution related to the OAGM and AGs of regions and states to provide for higher degrees of independence, legal protection and transparency.

These recommendations have been discussed with the Joint Public Accounts Committee.

The European Union is currently providing support for capacity-building of OAGM staff in financial audit[56]. The Office of the Auditor General – Norway is providing technical assistance to develop the OAGM performance audit capability.

PI-31. Legislative scrutiny of audit reports

This indicator focuses on parliamentary scrutiny of the audited reports of the central government, including all line ministries over the last three completed fiscal years (2015/16, 2016/17 and 2017/18). It covers the timeliness and the depth of scrutiny, the issuance of recommendations and the degree of transparency of the scrutiny.

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-31 Legislative scrutiny of audit reports	**C+**	**Overall rating based on M2 methodology**
31.1 Timing of audit report scrutiny	B	Scrutiny of audit reports on annual financial reports has been completed by the legislature within six months from receipt of the reports.
31.2 Hearings on audit findings	C	In-depth hearings on key findings of audit reports take place occasionally, covering major audited entities.
31.3 Recommendations on audit by legislature	C	The legislature issues recommendations on actions to be implemented by the executive.
31.4 Transparency of legislative scrutiny of audit reports	B	Hearings are conducted in public with a few exceptions in addition to national security or similar sensitive discussions. Committee reports are provided to the full chamber of the legislature and published on an official website or by any other means easily accessible to the public.

56 through pilots of increasing complexity. Under the "My Governance" EU is helping to deliver the OAGM's Financial Audit 'roll-out' plan to move audits towards International Standards for Supreme Audit Institutions (ISSAI):

- Five pilot audits (audit planning and audit completion) in compliance with International Auditing Standards, including one commercial account, for the six-monthly accounts ending 30 September 2018 have been conducted at Naypyitaw Headquarters;
- Seventeen pilot audits (audit planning and audit completion) in compliance with International Auditing Standards, for the six-monthly accounts ending 30 September 2018 have been conducted at Naypyitaw Audit Office;
- Eight pilot audits (audit planning and audit completion), including two commercial accounts, have been produced at Yangon OAGM office, in compliance with International Auditing Standards; and
- A one-day course of financial audit training has been provided to the 'non-pilot' staff from headquarters, districts and townships at Yangon OAGM office.

31.1. Timing of audit report scrutiny

This dimension assesses the timeliness of the legislature's scrutiny of the SAI's report.

Joint Public Account Committee (JPAC) is responsible for reviewing of the audit reports on annual financial reports in Myanmar. The JPAC, comprising 15 members who are Hluttaw representatives, was established in 2011. The main responsibilities are to review the external audit reports, the budget report and to present its recommendations to the Parliament. JPAC's recommendations are also sent to the Cabinet.

TABLE 3.16: Timelines for audit report submissions and review by legislature

Financial Year	Audit report submitted to Parliament	Audit report sent to JPAC	Published JPAC report review date	Number of months/days taken for JPAC review report
2015-16	29-03-2017	06-04-2017	15.08.17	140 days (or) 4 and half months
2016-17	30.04.2018	03.05.2018	10.09.18	134 days (or) 4 and half months
2017-18	30.01.2019	07.02.2019	29.07.19	6 months

The Joint Public Account Committee's scrutiny of audit reports on the annual financial report has been completed within six months from receipt of the reports, as evidenced by the dates in the table above.

Dimension rating: B

31.2 Hearings on audit findings

This dimension assesses the extent to which hearings take place on the key findings of those audited entities which received a qualified or adverse audit opinion, or a disclaimer. The legislature can review only parts of the audit report, due to the limited capacity and the very short time allotted for this work. In addition, limited access to meaningful information, and inadequate public awareness leaves significant room for improving monitoring and enhancing oversight. However, JPAC has improved the audit report review function and published improved reviews in FYs 2016/17 and 2017/18.

The observations and recommendations examined by the JPAC and through hearings with responsible officers from concerned entities are included in the report. Representatives of the department, line ministries and MOPFI attend their respective hearings and JPAC sessions, as observed by the Assessment Team in the pre-arranged schedules provided for the last three completed fiscal years. The Secretariat of the JPAC maintains attendance records for each session. Audited entities attend their respective JPAC session for review of audit reports.

Dimension rating: C

31.3. Recommendations on audit by legislature

This dimension assesses the extent to which the legislature issues recommendations and follows on their implementation. The recommendations by JPAC are issued and recorded in the minutes of the hearings, along with the items on other matters discussed during the hearings. However, the JPAC does not maintain systematic tracking of the progress in addressing the follow-up to each recommendation, and where for every recommendation, the executive and the legislature is notified during subsequent hearings whether recommendations have or have not been implemented. The JPAC submits its reports annually to the Parliament outlining recommended actions. JPAC's reports are also sent to the Cabinet.

Dimension rating: C

31.4. Transparency of legislative scrutiny of audit reports

This dimension assesses the transparency of the scrutiny function, in terms of public access.

GOM audit reports are not shared with the public. 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, provides for citizen participation through inclusive policy dialogue, inclusion in the political process, and steps to promote accountability. This implies that citizens are aware and informed, however, the reality is that a large section of the public continues to be unaware and there are only a few avenues for people's participation in the budget process. The only report that has been made publicly available is the summary findings of the JPAC.

The Joint Public Accounts Committee Report (7/2018) on the Office of the Union Auditor General's Audit Report was discussed at a full session of the legislature. Their discussion for fiscal year 2016/17 was posted at the Ministry of Information's website (https://www.moi.gov.mm/moi:eng). Public scrutiny was achieved by transmission of the proceedings by the mass media, i.e., Myanmar daily newspaper, radio and television, which allows citizens to follow what is currently happening in committees.

Dimension rating: B

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Conclusions of the analysis of PFM systems

4.1 Integrated assessment of PFM performance

Pillar One: Budget reliability

In each of the three years reviewed, the PFM system developed good estimates of aggregate expenditure, with deviations between the outturn and the approved budget being less than 5% for two of the last three completed fiscal years. While the composition variance was higher, by both functional and economic classifications, expenditure arrears were not a concern (PI-22.1). The annual budget includes a contingency amount, which is very small at less than 1% of total expenditure on average in the last three fiscal years. Compositional variations could be explained by the systematic use of the supplementary budget, which in practice acts as a de-facto second budget during a fiscal year. Current virement rules and contingency budget have proven inadequate to respond to unforeseen needs and emergencies (e.g. COVID). This incentivizes and promotes the use of the in-year supplementary budget, which in turn induces important transaction costs and affects budget discipline and credibility.

On the revenue side, while the aggregate figure was very close to budget, the composition was only just within the range (PI-3.2, rated 'C'), because of variations in amounts generated from taxes and some loans (termed 'financial revenues').

Pillar Two: Transparency of public finances

With two exceptions, the GOM is transparent in the management of its public finances: budget documents are comprehensive and GFS and COFOG requirements are met for reporting to external agencies. Coverage of government activities is comprehensive, and, although the focus does not extend beyond the budget year, subnational entities (States and Regions) received information on transfers from the Union (which are based on objective rules) more than two months ahead of the start of the 2017/18 fiscal year.

The first exception is around the performance information for service delivery available to citizens (PI-8, rated 'C+'), specifically concerning the resources received by service delivery units. The second concerns a lack of evidence around the submission of detailed audited financial reports by SEEs and extrabudgetary units: apart from the reports of the Social Security Board – as a consequence the magnitude of any fiscal risks and contingencies associated with these agencies on GOM finances is unknown.

Pillar Three: Management of assets and liabilities

As identified above, the mechanisms for monitoring fiscal risks are weak (PI-10, rated 'D') which is a serious issue as GOM could potentially face significant contingent liabilities and fiscal risks'. More positively, domestic debt is recorded, monitored and reviewed monthly and is reported to the President and to Parliament. A Debt Management Strategy is updated annually and is included in the Budget documentation which is available to citizens (PI-13, rated 'B+').

Formal guidelines for project appraisal were finalized after the 2017/18 fiscal year, and before this, most investment projects are selected according to government priorities, although individual ministries may undertake their own appraisals. However, externally-financed investment projects are monitored and evaluated by development partners. There are no forward-linked recurrent expenditures for investment projects (although this will happen in the future via the Project Bank). The legal framework for managing both public investments and public assets is weak (PIs-11 and 12, both rated 'D'). In addition, very limited information is made available to the public, although proceeds from assets disposals are reported in in-year budget reports.

Pillar Four: Policy based fiscal strategy and budgeting

Fiscal planning and budgeting are based on time-series based Medium-Term Fiscal Forecasts. These inform the overall budget envelope and are linked with the Myanmar Sustainable Development Plan produced by the MOPFI. Although these remain internal documents, they do consider forecasts of the key variables in the budget and discuss targets. However, while forecasts are produced, there is no subsequent analysis or reporting on their accuracy. While the GOM prepares a Fiscal Policy Statement, it is not comprehensive and effectively states that the deficit will not exceed 5% of GDP (and this was not in place for the last three completed FYs as required by this indicator).

Medium-term expenditure estimates are available internally, although they are not included in the Budget Law. Aggregate ceilings are communicated in the first budget circular, but only for the ensuing year. While five-year national plans and underlying sector plans have been produced (and some costed), actual budget allocations do not match the figures in the plans. No documentation explains the changes in estimates.

Agencies had four weeks to complete detailed estimates for the 2019/20 budget. Indicative ceilings, drawn from the MTFF, were sent to agencies at the start of the process. In two of the last three years, Parliament had more than two months to review and debate the Executive's proposals. The last budget proposal, which covered the period of the change in the GOM's financial year, was approved before the start of the FY.

The JPAC conducts a lengthy review of the Executive's budget proposals, including: expenditure aggregates; detailed estimates of expenditure for the Union, States and Regions; fiscal policies; projections of revenue and proposed capital investments. However, a thorough review of fiscal policies and medium-term fiscal projections was not conducted.

Procedures and processes for legislature's review of the Budget Law are approved before any hearings commence and are respected. The JPAC review is lengthy and has the benefit of technical support.

In each of the last three years, the budget was approved before the start of the new fiscal year. There are clear rules that allow in-year reallocations within administrative heads, and these rules are followed.

Pillar Five: Predictability and control in budget execution

IRD collects the majority of revenues via multiple channels and provides taxpayers with easy access to comprehensive information on their rights and obligations, including redress procedures. The taxation system is based on comprehensive legislation and the related procedures – including information on taxpayers' rights of appeal – are also televised on a local channel (Sky Net Myanmar Business Channel) on a regular basis and are supported by information leaflets that can be accessed on-line and at departmental offices (Overall, PI-19 is rated 'C+'.). Both the Large Taxpayer and Medium Taxpayer Offices use a 'compliance improvement strategy' as a risk management approach.

Taxpayers pay directly into the Internal Revenue Department's bank account. Tax arrears were below 2% in 2018 and are age-profiled. Revenue accounting is good, apart from the monthly reconciliations (of revenue assessment, collections, arrears and transfers to Treasury) which are only undertaken within two months. Revenues are transferred to Treasury-controlled accounts each day and are consolidated.

The IRD's Finance Directorate produces both daily and monthly revenue reports, which include variance analyses with reasons for deviations. All revenue collections are transferred to the Treasury Main Account within 24 hours (PI-20.2: 'A'), although cash balances are consolidated only monthly. The cash position is monitored on a daily basis and the cash plan is updated quarterly. The stock of expenditure arrears was less than 1% in each of the last three completed fiscal years, and possibly for this reason, the MOPFI only generates an annual report (PI-22.2, 'C').

The expenditure management process prescribes clear policies and procedures that segregate duties and responsibilities of staff responsible for the payment process. The cash drawing limits work effectively to limit expenditure to cash availability. Generally, there is a high level of compliance with payment rules and procedures which is closely monitored by the OAGM during their audits. Instances of senior management override of the system are rare. There are clear rules that allow in-year reallocations within administrative heads, and these rules are followed.

Modern Internal Audit functions are not operational. With some exceptions, the current internal audit arrangements within line Ministries are not effective as they are not independent of line management, do not generally have dedicated staff and do not comply with international internal audit standards. The OAGM confirmed that they do not place any reliance on internal audit. It appears these internal audit arrangements are more in the nature compliance self-reviews.

There is no centralized personnel records and payroll systems in place – these are highly decentralized across government agencies. A government web-based data entry system for personnel data was established in 2016, and the administration unit of each department is responsible for the data entry. However, these are not up-to-date or accurate.

Currently, there is no automatic link between the personnel and the payroll databases. However, the payroll is supported by full documentation for all changes made to personnel records each month and this is checked against the previous month's data. Any changes in payroll (as a result of an appointment, promotion, etc.) are made manually and updated on a monthly basis (PI-23). The OAGM's annual external audit reviews payroll in detail at all central government entities as this is a major expenditure item.

Open (competitive) bidding is the default procurement method stipulated by the procurement directives. Feedback indicates that most contracts are awarded on a competitive basis with a few contracts awarded using direct contracting/single source methods. No procurement monitoring and reporting system is in place within government for ensuring value for money and for promoting fiduciary integrity. Information on procurement processes and results including data on what has been procured, procurement methods used, amounts of contracts, and the names of contracts winners, are maintained separately by public procuring entities. The procurement complaint resolution system is not independent, as the concerned parties (the procuring and contracting entities) are involved in the 'Complaint Handling Panel' (PI-24).

Pillar Six: Accounting and reporting

Both the coverage and classification of data of in-year budget execution reports allow direct comparison to the original budget, but with partial aggregation: transfers to deconcentrated government entities are shown (PI-28, rated 'C+'). Reports are published within two months after the end of the previous month by the MOPFI, and these include an analysis of the variance between actuals and estimates for both revenue and expenditure. Reports are on a cash basis with no significant data accuracy concerns.

The overall score of the indicator PI-27 is good (rated 'B') as MOPFI performs detailed monthly bank reconciliations for all central government bank accounts, within eight weeks after the end of the previous quarter, and most donor fund accounts are also reconciled within two weeks after the end of the preceding month. Suspense accounts are cleared in a timely manner, as are advance accounts. Financial data integrity processes are tightly controlled and work well (PI-27, 'B').

There are delays in issuing annual financial statements (budget execution reports), but they were submitted for external audit within five months of the end of the fiscal year (PI-29, rated 'C+').

Pillar Seven: External scrutiny and audit

The OAGM conducts financial and compliance audits, covering all central and local government entities on an annual basis, in compliance with national audit standards. While there is no effective internal audit for the OAGM to rely upon, there appears to be a climate of 'adherence to the rules'. Audit reports were submitted to Parliament within nine months in each of the last three FYs, and received formal and timely responses. Audit reports are not made public, however, in contradiction to ISSAI Principle 7 which provides that SAIs report publicly on the results of their audits and on their conclusions regarding overall government activities. The Union Auditor General Law does not address publication of audit reports.

In practice, the OAGM operates independently from the Executive. However, there are some constraints on the OAGM's independence with respect to the procedures for appointment and removal of the Head of the OAGM, recruitment and remuneration of staff, the budget process (which is the same as line Ministries) and the inability to report publicly in its own right. The OAGM's mandate does not include Defence but otherwise has unrestricted and timely access to the majority of the requested records, documentation and information (PI-30, rated 'D+').

Parliament scrutinizes the audit reports on GOM's annual financial reports within six months from receipt of the reports, and this occasionally includes in-depth hearings on key findings, which lead to recommendations on actions to be implemented by the Executive. The hearings are conducted in public with few exceptions, and committee reports are provided to the full chamber of the legislature and are published.

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4.2 Effectiveness of the internal control framework

Control environment

The *Regulations on Financial Management in Myanmar* were updated in 2017 and apply to all public institutions, including extra-budgetary funds and commercial organizations owned by GOM.

While the control environment has improved since the previous assessment (e.g., the 2014 Civil Service Personnel Rules have been circulated, as have financial and procurement rules and regulations), this remains relatively weak. For example, the central oversight function is still underdeveloped and lacks a strategic approach, focussing more on data entry and vouching rather than on analysing results and impact. While clear policies, objectives and functions are established for each department by the Minister's Office, there is a lack of centralized regulation and standard setting around professional integrity, ethical values, performance management and competence development policies and practices. The delegation of authority is still weak, following the change from the previous military regime. The JPAC recommendation (following the 2017/18 Union Audit Report) that awareness training for financial and procurement regulation should be included in program of the Central Institute for Civil Service Training

There is an Internal Audit function in each Department within each Ministry (rather than a single function within each Ministry). This means that it is difficult to achieve the necessary independence from line management., Further these functions have generally only been recently established and the capacity in Ministries (and SEEs) varies considerably. The OAGM confirmed that they place no reliance on the internal audit function when obtaining their external audit assurance.

Risk Assessment

The Controlling Officer in each department is responsible for ensuring that risks to departmental activities are assessed, although there is no formal risk identification system, and hence comprehensive risk assessments do not take place and there are no 'risk registers'.

On the revenue side, both the Large and Medium Taxpayer's Offices uses a 'compliance improvement strategy' as a risk management approach, and both have a planned approach and basis for selecting which audits/investigations to pursue, although not all are completed within the fiscal year.

External and internal audit activities are primarily focused on compliance with financial rules and regulations. The OAGM is however, in the process of moving towards taking a more risk-based approach and developing a performance audit capability.

Control Activities

Policies and procedures manuals exist for some business processes, identifying the activities to be carried out, together with the responsibility and the limits within which these activities should be carried out together with an overview of control activities identified. For example, all agencies apply Circular 35/2017 for the authorization and approval of expenditure: commitment controls appear to be effective in that they limit expenditure to cash availability., as do those over payroll (PI-25 rated 'B' and PI-23 rated 'B+''), and an audit trail is maintained: both access to and changes to records are restricted and recorded.

Changes to personnel and payroll data require approval by the head of the department, and monthly reconciliation of personnel records and payroll data is undertaken. An audit trail provides information on the date of entry, type of entry, staff information related to the transaction (PI-23.3 rated 'B').

Appropriate segregation of duties is prescribed throughout the expenditure process, and responsibilities are clearly laid down in Circular 35/2017 for most key steps. Exceptions to regular payment procedures are authorized in advance. Payments comply with specified procedures and are properly authorized in advance and justified (PI-25.3, rated 'B'). This is closely monitored by the OAGM.

The Public Debt Management Law requires all loans or guarantees to be undertaken by the MOPFI, within a ceiling approved by Parliament and individual large loans require specific Parliamentary approval.

Bank reconciliations for all active central government bank accounts are completed at least monthly, usually within 8 weeks from the end of each quarter (PI-27.1, rated 'C'), as is the case with suspense accounts (PI-27.2, rated 'B').

As there is no central agency in Myanmar responsible for procurement monitoring and evaluation, there is no comprehensive database for monitoring and reporting that will fiduciary integrity. While some procurement entities keep records of procurement, there is no system to consolidate this and provide a holistic picture of how the procurement system is performing to deliver value for money for GOM.

Information and communication

The quality and timeliness of financial information may be an issue as evidenced by the weaknesses identified in in-year budget reports and the annual financial reports (PI-28 and 29), both rated 'C+'.

Monitoring

The assessment highlighted a number of significant areas where monitoring activities could be improved. For example, the resources received by education and health service delivery units (rated 'C' in 8.3) are recorded as part of the annual budget process, but are not reported on: however, this information is available at township offices.

Monitoring of public corporations is rated 'D' in 10.1, although MOPFI (PAPRD) does receive annual financial statements from all SEEs, as is the monitoring of subnational governments: Regional OAGs conduct audits of the various departments in respective States or Regions, however, there is consolidated financial statements prepared by individual States and Regions. Contingent liabilities and other fiscal risks are not reported, and Investment project monitoring is rated 'D' (11.4), although information on the implementation of major investment projects is prepared annually. Financial asset monitoring is weak (12.1) 'D', and there is no record of the stock), and although there are some asset registers – these are of varying quality, and do not include large infrastructure assets– non-financial asset monitoring is rated 'D' (12.2).

Revenue and expenditure arrears are monitored, and data is generated at the end of the fiscal year and reported. Although some individual procurement entities do maintain procurement information, there is no system to consolidate this and provide a holistic picture of 'value for money', and thus an important mechanism to promote fiduciary integrity is lacking.

Management provides a partial response to audit recommendations for the majority of the departments audited (External audit follow-up is rated 'B' in 30.3).

Annex 2 provides details of the operation of the internal control framework.

4.3 PFM strengths and weaknesses

TABLE 4.1: PEFA indicators and the three budgetary outcomes

Indicator	Aggregate fiscal discipline		Strategic allocation of resources		Efficient service delivery	
***Pillar one:* Budget reliability.** The government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.						
PI-1. Aggregate expenditure outturn	X	Aggregate expenditure outturns are close to the approved budget, as is the composition of expenditure, all of which reflect good fiscal discipline.				
PI-2. Expenditure composition outturn			X	Expenditure allocations appear reliable and suggest that GOM does allocate resources to strategic policy priorities.	X	Relatively minor deviations from planned expenditure suggest that the delivery of services match GOM's intentions.
PI-3. Revenue outturn	X	Aggregate revenues are close to those approved in the budget, which may reflect good fiscal discipline on the part of GOM: however, the composition variance, between types of revenue, is significant.				
***Pillar two:* Transparency of public finances.** Information on PFM is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance and ready access to fiscal and budget documentation.						
PI-4. Budget classification			X	GOM's budget classification system was amended in 2016 to improve compliance with GFS, thus strengthening accountability for budget allocation decisions.	X	GOM uses GFS (4 digit) and COFOG standards for publishing fiscal information online, facilitating community monitoring of service delivery.
PI-5. Budget documentation			X	The budget information submitted to the legislature strengthens accountability by demonstrating that budget allocations are consistent with GOM's social and economic priorities.		

Indicator	Aggregate fiscal discipline	Strategic allocation of resources	Efficient service delivery
PI-6. Central government operations outside financial reports	X Publicly available annual budget documentation enables budget decisions, transactions and the performance of service delivery programs to be monitored throughout the budget cycle: this is necessary to provide a complete picture of central government finances. Only aggregate expenditure data of all identified extrabudgetary units are included in financial reports (e.g. budget execution reports).	X Transparent and comprehensive budget information, including the performance of service delivery programs, strengthens accountability of government for budget allocation decisions, and while aggregate revenue figures of all identified extrabudgetary units are consolidated by Treasury and included in financial reports, there is no evidence that detailed financial reports are submitted by the extrabudgetary units themselves or reviewed by a central agency, and there is no monitoring of contingent liabilities.	
PI-7. Transfers to subnational governments		X Transparent and comprehensive budget information shows transfers to townships based on historic composition; a transfer formula; an amount of actual collections for specified taxes; and a set amount per township: these reflect GOM's social and economic priorities.	X Transparent Information on the structure of the budget, including resources available to lower level units enables communities to monitor the efficiency of service delivery.
PI-6. Central government operations outside financial reports			X Transparent information is available at the township level on the resources provided to service delivery units, and on activities achieved, hence this enables the efficiency of service delivery to be monitored.
PI-7. Transfers to subnational governments			X Transparent fiscal data enables communities to hold GOM to account, and six of the relevant items are available.

Indicator	Aggregate fiscal discipline		Strategic allocation of resources		Efficient service delivery	
***Pillar three:* Management of assets and liabilities.** Effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded, and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.						
PI-10. Fiscal risk reporting	X	GOM does not adequately monitor, report, and manage the various potential fiscal risks that could divert resources from the GOM's social and economic priorities.				
PI-11. Public investment management	X	Projections of the total cost of major investment projects are not included in budget documents. The total cost and physical progress of some investment projects are monitored (by PAPRD: 21 of the 67 districts in 2017/18).	X	Economic analyses are conducted to assess some major investment projects, but the results are not published, nor are there standard criteria for project selection. There are significant on-going efforts by the government through the creation of the Project bank, which may lead to improvements in future.		
PI-12. Public asset management	X	Although some record of flows is recorded, GOM has no record of the stock of financial assets except cash.			X	There are asset registers of varying quality. Some line ministries maintain lists of physical equipment, but not of large infrastructure assets. GOM has rules on asset disposal, and a centralized asset disposal committee: however, nothing is published in reports or budget documents
PI-13. Debt management	X	GOM publishes an Annual Debt Report and the Law requires all loans or guarantees to be undertaken by MOPFI, subject to a ceiling approved by Parliament. The DMS (available on the GOM website) covers FYs 2018/19 to 2020/21. Data on targets for interest rates, refinancing maturing loans and currency risks has been consistent over the last three financial years.				

Indicator	Aggregate fiscal discipline		Strategic allocation of resources		Efficient service delivery	
***Pillar four:* Policy-based fiscal strategy and budgeting.** The fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.						
PI-14. Macro-economic and fiscal forecast-ing	X	GOM uses macroeconomic and fiscal projections to support the development of a predictable and sustainable fiscal strategy. Time-series based Medium-Term Fiscal Forecasts inform the overall budget envelope and are linked to the Multi-Year Strategic Development plan (produced by the CSO): these cover the budget year and the next two FYs, but the details are not submitted to the legislature, nor is there any subsequent analysis or reporting on accuracy. MOPFI also conducts sensitivity analysis on a range of scenarios, particularly on the revenue side, for internal use				
PI-15. Fiscal strategy	X	Adherence to a clear fiscal strategy ensures that budget policy decisions align with fiscal targets, and GOM has such a strategy, although is not comprehensive, and was not in place for the last three FYs.	X	GOM has developed a fiscal strategy (at this stage for internal use), and the key result is quantified – i.e. that the deficit is within 5% of GDP (an internal report shows that this was achieved in the last FY).		
PI-16. Medium-term perspective in expenditure budgeting	X	Medium term budgeting supports aggregate fiscal discipline by establishing forward year estimates that provide a baseline for future ceilings and allocations. GOM has such estimates but they are not included in the budget law, and the aggregate ceiling is only communicated for the budget year.	X	A medium-term perspective in budgeting enables GOM to more effectively plan budget allocations in accordance with priorities. However, while five-year national plans (as well as underlying sector plans) have been produced and costed, they not match budget allocations.	X	Medium term budgeting provides greater predictability in budget allocations that supports budget units to plan resource use more efficiently. However, no documentation is provided to explain changes in estimates.

Indicator	Aggregate fiscal discipline		Strategic allocation of resources		Efficient service delivery	
PI-17. Budget preparation process			X	An orderly budget process is necessary to provide the information necessary to prioritize budget allocations, and for the 2019/20 budget, agencies had four weeks to complete detailed estimates – within indicative ceilings, drawn from the MTFF. In two of the last three years, Parliament had more than two months to review and debate the executive's proposals: the last budget was approved before the start of the FY.		
PI-18. Legislative scrutiny of budgets			X	The JPAC conducts a lengthy review of the Executive's budget proposals (expenditure aggregates; detailed estimates of expenditure; fiscal policies; projections of revenue and proposed capital investments) although this does not include a thorough review of medium-term fiscal projections. Procedures for the JPAC review are respected, and it has the benefit of technical support. In the last three years, the budget was approved before the start of the new fiscal year.	X	Legislative scrutiny can highlight potential inefficiencies in resources allocated for service delivery. There are clear rules that allow in-year reallocations within administrative heads, and these rules are followed.

Indicator		Aggregate fiscal discipline		Strategic allocation of resources		Efficient service delivery
Pillar five: **Predictability and control in budget execution.** The budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.						
PI-19. Revenue administration	X	Efficient administration and accurate recording and reporting of tax revenue collections is important to ensure all revenue is collected in accordance with relevant laws to support the government's budget framework.	X	A predictable revenue base and flow of resources to budget units helps ensure those priorities are implemented.	X	IRD use multiple channels to collect 82% of total tax revenue, and provides comprehensive, up-to-date information on revenue obligations and rights. LTO and MTO use a compliance improvement strategy to manage risk, and both have a planned approach to audits, although not all are completed within the year. The stock of revenue arrears at the end of 2017/18 was 1.2% of total collections, 34% of these are older than 12 months.
PI-20. Accounting for revenues	X	Accurate recording and reporting of all revenue collections in accordance with relevant laws is undertaken at the end of the year, within two months of the year-end.	X	Monthly reports on revenue collected by all ministries includes a break down by revenue type.	X	Each day, IRD transfers collections directly into an account controlled by MEB. Monthly reconciliation of revenue assessment, collections, arrears and transfers to Treasury is conducted by IRD upon receiving bank account statement from MEB.
PI-21. Predictability of in-year resource allocation	X	There is a cashflow forecast. This is updated quarterly on the basis of actual cashflows. Budget units are given drawing rights (which are effectively commitment ceilings) for at least 3 months. Most cash balances are consolidated on a monthly basis.			X	Frequent and unpredictable in-year adjustments can undermine the efficient delivery of services. Minor adjustments between budget lines are allowed within approved limits: larger changes are approved by parliament in a supplementary budget.
PI-22. Expenditure arrears	X	Expenditure arrears can have a significant impact on fiscal discipline because they constitute a failure in controlling commitments and making payments when obligations are due. However, the stock of GOM's arrears was less than 1% of total expenditure in the last two fiscal years, and data is generated annually at the end of the year.				

Indicator		Aggregate fiscal discipline		Strategic allocation of resources		Efficient service delivery
PI-23. Payroll controls	X	Effective expenditure and payroll controls ensure resource usage is consistent with approved allocations.	X	Weak payroll controls can undermine allocative efficiency if they result in unintended expansion of payroll costs.	X	Weak payroll controls can lead to a higher wage bill than planned, resulting in higher costs per output. GOM's personnel records and payroll information have monthly updates and reconciliations at departmental level in each ministry. Payroll is a significant part of the OAG's annual audit.
PI-24. Procurement					X	A well-functioning procurement system improves the efficiency of service delivery by ensuring better value for money of government purchases. GOM maintains databases or records for contracts, and these are accurate and complete for most of procurements of goods, services and works. The complaints mechanism is not independent as concerned parties (the procuring and contracting entities) are involved in the Complaint Handling Panel.
PI-25. Internal controls on non-salary expenditure	X	Weaknesses and inefficiencies in internal control and operations			X	Appropriate segregation of duties is prescribed throughout the expenditure process, and responsibilities are clearly laid down although further details may be needed in a few areas. Drawing limits work effectively to limit expenditure to cash availability, and all payments are compliant with regular payment procedures: any exceptions are properly authorized in advance and justified.
PI-26. Internal audit					X	The lack of an effective Internal audit deprives GOM of the necessary assurance that systems are operating to achieve objectives efficiently and effectively. Internal audit should help identify weaknesses and inefficiencies in internal control and operations.

Indicator		Aggregate fiscal discipline		Strategic allocation of resources		Efficient service delivery
***Pillar six:* Accounting and reporting.** Accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.						
PI-27. Financial data integrity					X	GOM ensures that reliable fiscal data is produced and reported by ensuring that bank reconciliations are completed within 8 weeks of the end of each quarter, and that suspense and advance accounts are reconciled and normally cleared at the end of the fiscal year. Internal controls are in place to restrict and record access and changes to records and to maintain an audit trail. These measures provide for reliable information to assist the management of efficient service delivery.
PI-28. In-year budget reports	X	The coverage and classification of data allows direct comparison to the original budget (with some aggregation) and includes expenditures (at payment stage) from transfers to de-concentrated units. While there may be concerns about accuracy, the data is useful for analysis of budget execution.	X	Budget execution reports are prepared quarterly (issued within two months of the end of each quarter) and the data is useful for analysing budget execution.	X	Budget execution reports are prepared quarterly, but with some delay and although there may be concerns regarding accuracy, the data remains useful for analysing budget execution.
PI-29. Annual financial reports					X	Financial reports for budgetary central government allowing comparisons with the approved budget are prepared annually (information on revenue, expenditure, and cash balances is included). These are submitted for external audit within five months of the end of the fiscal year, and disclose the accounting standards used, which are consistent with the country's legal framework.

Indicator		Aggregate fiscal discipline		Strategic allocation of resources		Efficient service delivery
***Pillar seven:* External Audit and scrutiny.** Effective external audit and scrutiny by the legislature are enabling factors for holding the government's executive branch to account for its fiscal and expenditure policies and their implementation.						
PI-30. External audit	X	External audit (which operates independently from the executive) provides assurance that information in financial reports is accurate: reports of most (80%) central government entities are audited using national audit standards and highlight significant issues.			X	Reliable and extensive external audit is important for identifying inefficiencies in government programs and service delivery, and the SAI has unrestricted and timely access to the majority of information requested and receives timely and comprehensive responses from the executive or the audited entity.
PI-31. Legislative scrutiny of audit reports	X	Reliable and extensive external audit, and legislative scrutiny of those audits provides assurance that information in financial reports is accurate. Scrutiny of audit reports on annual financial reports has been completed by the legislature within six months from receipt of the reports.	X	Reliable and extensive external audit and legislative scrutiny ensures GOM is accountable for allocating resources in accordance with the approved budget. However, in-depth hearings on key findings of audit reports only take place occasionally and cover a limited number of audited entities.	X	Reliable and extensive external audit and legislative scrutiny is important for identifying inefficiencies in government programs and service delivery, and the Hluttaw issues recommendations on actions to be implemented by the executive, following public hearings (with exceptions for national security or sensitive discussions). Committee reports are provided to the full chamber of the legislature and published on official websites which are accessible to the public.

Aggregate Fiscal Discipline

Fiscal discipline in Myanmar is very good with most elements of Myanmar's public financial management system contributing to this outcome. On the expenditure side, aggregate estimates are good (PI-1, 'A') with very small (but growing) differences between the original estimates and the actual expenditure composition (PI-2.1, 'C' and PI-2.2, 'B'), and actual expenditure is not distorted due to expenditure arrears (PI-22).

Although revenue estimates are accurate in total, the composition is not (PI-3.2, rated 'C'), and shows an increasing variation from the amounts budgeted for 'financial revenues' over the three years reviewed. However, revenue administration and the accounting arrangements are sound (PIs-19 and 20).

A PEFA assessment also recognizes broader issues that may affect fiscal discipline. For example, while there appear to be relatively small extrabudgetary revenues and expenditures that are not reported (PI-6.1 and .2), there is no evidence of detailed financial reports being submitted by the extrabudgetary units themselves (PI-6.3, rated 'D'). In addition, the monitoring of financial risks is weak (PI-10) as are the management of both public investments and public assets (both PI-11 and 12 are rated 'D'). While the budget documents have a very limited medium-term perspective (PI-16, rated 'D+'), medium-term projections do inform the internal budget process, and debt management has improved significantly since the previous assessment.

Strategic Allocation of Resources

With the exception of PI-17 (the budget preparation process, rated 'B+') most indicators directly related to 'policy-based fiscal strategy and budgeting' (PI-14 to 18) receive low ratings, in some cases, simply because the data used internally by MOPFI is not presented to Parliament (and hence is not available to citizens), or does not follow the policy priorities set out in GOM's guiding document, the 'Myanmar Sustainable Development Plan'. More specifically, macroeconomic and fiscal forecasting (PI-14, rated 'C' overall) use time-series forecasts to inform the overall budget envelope, but the details are not included in the documentation submitted to the legislature, nor is there any subsequent analysis or reporting on their accuracy, although there is some sensitivity analysis, particularly on the revenue side.

Both 'public investment management' and the 'management of public assets', PIs-11 and 12 respectively, received weak ratings (both 'D'), and although a fiscal policy statement was produced for the last budget, and a key result (that the deficit is within 5% of GDP) is quantified, this was only reported on internally (PI-15). The budget is approved before the start of the fiscal year. Although the legislative review of the budget is lengthy, it lacks a strategic perspective which has impacted on the overall rating for this indicator (PI-18, 'C+').

There are other indicators relevant to resource allocation which are evaluated as satisfactory or better: for example, execution of the budget (by composition PI-2.1 and .2) is good; the classification complies with international standards (PI-4) and budget documentation (PI-5), is good: all are assessed as 'B'. Similarly, the integrity of financial data (PI-27), the coverage of in-year budget reports (PI-28.1), and the availability of timely information to the Region and State governments about the resources that will be transferred to them (PI-7.2): are all rated 'B' or better.

Efficient use of resources for Service Delivery

For aspects related to efficiency in the use of resources, the public financial management system appears satisfactory, as shown for example, by indicators such as 'predictability of resource allocation in the year' (PI-21, rated 'B'); 'transfers from central government to States and Regions', which are transparent (PI-7, 'A'), and the rating of the 'performance information' indicator is also reasonable (PI-8, score 'C+').

However, mechanisms to minimize the risk of losses are mixed: for example, while payroll controls are good (PI-23, 'B+'), procurement (PI-24, 'D+') is weak, but this is at least partially mitigated by the system of internal control in operation (PI-25, 'B'). Further, there is no functional internal audit (PI-26.1 'D') to monitor these controls, and – as mentioned above – there are concerns about weaknesses in the management of both public investments and public assets (PIs-11 and 12, both 'D'). By contrast, accounting control mechanisms are good (PI-27, 'B').

Finally, external oversight and monitoring mechanisms show reasonable results. The OAGM operates independently from the executive and uses national standards to audit and highlight significant issues in the financial reports of all central government entities, and in the last year, reported to Parliament within six months.

Once Parliament receives the OAGM's reports, the review by the Joint Public Accounts Committee is completed within six months, and this includes hearings on the key findings, with officials from (only) the MOPFI, but in public (with exceptions for national security or sensitive matters). The legislature issues recommendations on actions to be implemented by the executive. Committee reports are provided to the full chamber of the legislature and published on an official website, and hence are accessible to the public.

4.4 Performance changes since a previous assessment

This is the first assessment of GOM using the 2016 upgraded PEFA Framework. However, ***Annex 4: 'Tracking changes in performance based on previous versions of PEFA'***, provides an analysis using current data with the 2011 version of the Framework, which permits a meaningful comparison of changes since 2013, and demonstrates that a remarkable eighteen indicators show an improved level of performance (i.e. PI's 1, 2, 5, 6, 8, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 23 and 25), resulting in enhanced attainment of the three budgetary outcomes.

So, when compared to the 2013 assessment:

- **Aggregate Fiscal Discipline** has been improved as budget credibility in terms of both revenue and expenditure, and there have been improvements to both budget classification and the associated documentation: top-down budget ceilings are now issued. However, limited information on contingent liabilities and future costs of investments remain threats to the management of medium and long-term fiscal sustainability, and fiscal risks remain unreported. Parliament is functioning more effectively to monitor and enforce aggregate fiscal discipline through the annual budget process.

- **Strategic Allocation of Resources**
  Compositional expenditure deviations continue to remain substantial, as the budget is significantly remade during the year, although the level of unreported government operations has been reduced. Sector strategies are now prepared for most sectors, but continue to lack complete costing of investments and recurrent expenditure, which limits the ability of planning efforts to influence future budgets.

  Accounting and reporting tend to be viewed as a largely technical process that exerts control in avoiding overspending of budget provision and providing the basis for audit. It does little to establish deeper accountability for how resources are used or play a role in active in-year financial management.

Parliament is functioning effectively to monitor and reorient spending allocations through the annual budget process. The process can benefit from a more thorough review of fiscal policies and medium-term fiscal projections.

- **Efficient use of resources for Service Delivery**
  The significant changes in the composition of spending during the year raise the likelihood of inefficiencies in service delivery. However, the improved budget classification system together with more comprehensive budget documentation, and improved availability of information combine to improve public scrutiny, although regulations still focus on detailed transaction control. Budgeting for investment and recurrent expenditure remain separate processes, which leads to inefficiencies in service delivery

Parliament is functioning more effectively to monitor and enforce the emphasis on service delivery through the annual budget process.

5

Government PFM reform process

5.1 Approach to PFM reforms

The GOM has actively engaged with development partners in analysing the PFM system to develop a fit-for-purpose PFM reform strategy. In 2012 the government conducted a PEFA assessment and the International Monetary Fund completed a Review of Public Finance Management. The 2013 PEFA assessment informed the development of a phased reform program coordinated by a PFM Executive Reform Team (ERT) led by the Deputy Minister for Planning, Finance and Industry. The GOM articulated a PFM reform strategy in 2013 that focused on a phased modernization the PFM system to develop the internal capacities needed to effectively manage the phased transition and support improved service delivery.[58] The IMF review led to the establishment of a Treasury Department and analysed tax administration and tax policy to identify reform priorities.

The PFM reform strategy foresees a modernization of the PFM legal and regulatory framework, systems and practices to support Myanmar's socio-economic development objective and public service delivery. Considering the scope and medium-term nature of such reforms, the authorities have taken an appropriately phased approach. The first phase aimed at establishing the legal and regulatory foundations and basic systems for fiduciary management and to enhance the civil service's ICT and English knowledge notably. The second phase of PFM reform continued the modernization of the legal and regulatory framework and information systems in line with international standards and good practices. It introduced an increased focus on macro-fiscal stability and tax policy and administration reforms to create the fiscal space needed for Myanmar's development. The third phase of the PFM strategy is focused on the consolidation of the initiated PFM reforms while enhancing the allocative and operational efficiency of spending and the quality of corresponding public services. Thus, a greater focus on public investment management, public procurement reform and public financial management in key public services such as health and education.

5.2 Recent and on-going reform actions

The GOM has published a new Public Financial Management Reform Program Strategy (2018 to 2022) in which it has iterated its commitment to reforms and articulated a vision for second-generation PFM reform. The World Bank are conducting technical assistance support for the Strengthening of the Medium-Term Public Financial Management Reform Strategy through more in-depth analysis in key areas. This includes the PEFA assessment, PFM Capacity Building, PFM in Health Service Delivery, Developing a Strategy for the Implementation of Public Procurement Law after Enactment, Accounting Standards and Financial Reporting and Domestic Revenue Mobilization. Revisions to the reform strategy will also be informed by the governance priorities in the Myanmar Sustainable Development Plan (2018-2030) and the Public Expenditure Review III.

The Macroeconomic Management Sector Coordination Group has been formed and is chaired by Minister, MOPFI comprising representatives from MOPFI, relevant ministries and development partners. Regular bi-annually meetings to discuss suggestions and comments to strengthen Macroeconomic management and to achieve the MSDP goals and strategic actions. Technical Teams

58 The GOM proposed a 3-phased reform program that covers a 10-15-year period. Phase 1 (3-5 years)'s objective was focused on improving the control and stability in expenditure and revenue management processes while building internal capacities.

such as the Medium-Term Fiscal Framework (MTFF) team, Revenue Forecasting and Monitoring Team, Expenditure Management Team, Financing and Risk Management Team and CBM-MOPFI Coordination Team were established in 2018 to support reforms.

The PFM agenda has benefited greatly from the new enabling environment created by the government's emphasis on openness and regional integration, allowing for Myanmar finance officials to engage more fully in regional PFM events and networks, including the Public Expenditure Management Network in Asia (PEMNA).

Under the first phase, the Modernization of Public Finance Management project (MPFMP) has supported the GOM since 2014. The project has recently been extended up to March 31, 2021 to support the modernization of the PFM law and regulations building on the preliminary findings of the PEFA assessment, in collaboration with partners, strengthening of the revenue management committee and analysis of tax expenditures, the continued support to LTO/ tax audits and to the implementation of the new Tax administration law and integrated tax administration system (ITAS), enhance financial reporting and monitoring through the development and roll out of a web-based version of the treasury Department reporting system FIRST, leveraging the MEB Core banking System, implementation support for the procurement reform and publication of large contract awards and financial reporting reforms, Support to the institutionalization and operation of the new PFM Academy, including a monitoring and evaluation system for the training. Other development partners (IMF, JICA, EU, ADB, UNCDF, Norway) are also providing technical assistance in various PFM areas.

This section summarizes recent reforms undertaken and progress made by the government in strengthening its PFM systems across the main strategic initiative areas that cover PFM issues of budgeting, revenue, public investment management and other execution related systems that will be contributed to the reform initiatives on improving the value of money. The PEFA assessment has confirmed the need for strong commitment and delivery of key PFM reforms in several areas. As explained in the context of the discussion of each Performance Indicator in Section 3 above, significant work is already in progress to address many of the areas where improvements are identified. The key weaknesses are identified in section 4 above. These will be addressed in the Public Finance Management Reform Phase II Implementation Plan (World Bank's Multi Phase Approach to Support the Government's Reform Program), (2021-2025). Further details are provided in Annex 8.

5.3 Institutional considerations

Government leadership and coordination across government

PFM reform agenda is driven and owned by the GOM, with the MOPFI taking a leading role. Development partners have supported the agenda from the start and have remained engaged at both the central and subnational levels through a broad mix of policy-based operations, projects and technical assistance activities.

Development partners

Development partner engagement will continue to play an important role in keeping the momentum for the PFM reform and support the change management process. Development Partner commitment and continued engagement, paired with the provision of funding resources and technical assistance, is an important enabling factor. The GOM has constrained fiscal space and thus it is critical that there is proper prioritization of major investments informed by improved financial and fiscal risk information. Properly coordinated technical assistance and guidance from the development partner community will be essential to the continued success of the reform process.

A sustainable reform processes

Sustainability of PFM reforms across government is critically dependent on several factors, such as strong ownership, the capacity to internalize reforms, the institutional set-up and stakeholders' understanding of the benefit of changes. Although there is strong government commitment to sustain reforms, the ownership of the reform process is still largely limited to the MOPFI and several line ministries responsible for broad-based institutional change management, such as the Public Administration reform. The government has recognized that the main constraints to improving public sector performance include rigid, hierarchical, institutional and bureaucratic structures. Addressing these constraints will require the focus to shift to reforming organizational structures and standard operating procedures, creating a less hierarchical approach to decision making and encouraging innovation, and emphasizing an increased use of information technology.

Conclusion

The GOM's PFM reform strategy has been under implementation for a little over 5 years. A key conclusion that can be drawn from the progress to date is that the reform approach and strategy adopted by the GOM is relevant, particularly in the new post-election environment in Myanmar. There is a continued commitment to the project by all the stakeholders and it is on course to achieve the expected results and the development outcomes as planned. There are countries in the region where the PFM reform process has been underway for more than a decade and they have had time to make midcourse corrections or changes in approach on more than one occasion. Myanmar has tried to learn from these experiences and is also learning from the path taken by such countries, thereby hoping to leapfrog in the reform process. The encouraging results of some activities in the first stage of reforms are just becoming apparent but Myanmar still does not have experiences across many areas of the PFM cycle. The second-generation reform agenda will be fulfilled for the 2018 PFM reform strategy's objectives and MSDP Strategy 2.4: "Strengthen public financial management to support stability and the efficient allocation of public resources" at both the Union, State and Region level.

Annexes

Annex 1: Performance indicator summary

This annex provides a summary table of the performance at indicator and dimension level. The table specifies the scores with a brief explanation for the scoring for each indicator and dimension of the current and assessment.

Pillar	Indicator/Dimension		Score	Description of requirements met
Budget Reliability	**PI-1**	**Aggregate expenditure out-turn**	**A**	At 95.3%, 93.5% and 97.9% for 2015/16, 2016/17 and 2017/18 respectively; aggregate expenditure outturn deviated by less than 5% from the approved budget in two of the three FYs.
	PI-2	**Expenditure composition outturn**	**C+**	
	2.1	Expenditure composition outturn by function	C	The administrative composition variance was 10.1%, 8.4% and 10.6% for the fiscal years 2015/16, 2016/17 and 2017/18 respectively, which was less than 15% in all of the past three completed fiscal years.
	2.2	Expenditure composition outturn by economic type	B	The variance in expenditure composition by economic classification was 5.2%, 3.3% and 16.1% for the fiscal years 2015/16, 2016/17 and 2017/18 respectively, which was less than 10% in two of the past three completed fiscal years.
	2.3	Expenditure from contingency reserves.	A	Actual expenditure charged to a contingency vote was on average 0.4% of the total expenditure in the original budget.
	PI-3	**Revenue outturn**	**B**	
	3.1	Aggregate revenue outturn	A	Actual revenue was between 97% and 106% of budgeted revenue in the two of the last three completed fiscal years
	3.2	Revenue composition outturn	C	Variance in revenue composition was less than 15% in two of the last three completed fiscal years between 2015/16 and 2017/18.
Transparency of Public Finances	**PI-4**	**Budget Classification**	**B**	
	4.1	Budget Classification	B	Budget documentation using the GFS standard is not used internally for budget formulation, execution or reporting. However, the MOPFI is able to produce budget documentation based on administrative and economic classifications using the GFS standard at 4 digits, and functional classification using COFOG standards. These are used for external reporting and publication of fiscal information online.
	PI-5	**Budget Documentation**	**B**	
	5.1	Budget Documentation	B	Documentation submitted to the parliament as part of the executive budget proposal for the 2019/20 FY fulfils 4 basic elements and 4 additional elements.
	PI-6	**Central government operations outside financial reports**	**B**	
	6.1	Expenditure outside financial reports	A	Aggregate expenditure figures of all identified budgetary and extrabudgetary units are included in financial reports (e.g. Treasury statements).
	6.2	Revenue outside financial reports	A	Aggregate revenue figures of all identified extrabudgetary units are included in financial reports.
	6.3	Financial reports of extra-budgetary units	D	Detailed financial data from at least most extrabudgetary units is consolidated by the Treasury Department within five months of the end of the fiscal year. There was no evidence of detailed financial reports being submitted to MOPFI by all of the extrabudgetary units. The Assessment Team was not able to establish that reports included information on assets and liabilities for SEEs, guarantees and long-term obligations.

Pillar	Indicator/Dimension		Score	Description of requirements met
Transparency of Public Finances	**PI-7**	**Transfers to subnational governments**	**A**	
	7.1	System for allocating transfers	A	The allocations of the three transfers from Union to subnational government are made based on objective rules reflecting historic composition, a transfer formula, amount of actual tax collection for 4 specified tax items, and a set amount per township.
	7.2	Timeliness of information on transfers	A	States and Regions were provided with information on the amounts of subnational transfers from the Union in November, more than two months ahead of the start of the 2017/18 fiscal year in April. This allows at least six weeks to complete the planning process.
	PI-8	**Performance information for service delivery**	**C+**	
	8.1	Performance plans for service delivery	B	Plans for each line Ministry are detailed and made public annually in Annex 3 of the Annual Plan submitted to the Parliament. It covers both capital and recurrent spending, outlining objectives, targets for the coming fiscal year.
	8.2	Performance achieved for service delivery	C	Two of the three sampled Ministries (the majority) have published annual reports with information on activities and outputs covering 2017/18 FY.
	8.3	Resources received by service delivery units	C	Resource flows to service delivery units in education and health are recorded as part of the annual budget process. This information was not relayed to higher level offices and was not reported on. However, it was available at the township level offices for the respective service delivery units under their jurisdiction.
	8.4	Performance evaluation for service delivery	C	Annual reviews are conducted and present a range of statistics and key planning information. The majority of sampled Ministries publish evaluations on the efficiency or effectiveness of service delivery.
	PI-9	**Public access to information**	**B**	
	9.1	Public access to information	B	The government makes 6 of the assessed documents available to the public through the MOPFI website. This includes 4 basic elements and 2 additional elements.
Management of assets and abilities	**PI-10**	**Fiscal risk reporting**	**D**	
	10.1	Monitoring of public corporations	D	MOPFI – PAPRD receive annual financial statements from all SEEs but it was not possible to determine the date they were received.
	10.2	Monitoring of subnational government (SNG)	D	Regional OAGs conduct the audits of the various Departments in respective States or Regions. They are submitted to the local Parliament and Chief Minister but are not made public. It was not possible to determine the dates the audits were completed as access to the audit reports was not available. Consolidated financial statements are not prepared by individual States and Regions. Subnational financial statements are not consolidated into higher Union level documentation.
	10.3	Contingent liabilities and other fiscal risks	D	The GOM does not prepare a report on contingent liabilities and other fiscal risks.
	PI-11	**Public investment management**	**D**	
	11.1	Economic analysis of investment proposals	D	Limited economic analyses were conducted (as established in national guidelines enacted in early 2019), to assess some major investment projects but the results were not published. These analyses were reviewed by an entity other than the sponsoring entity.

Pillar	Indicator/Dimension		Score	Description of requirements met
Management of assets and abilities	11.2	Investment project selection	D	Prior to their inclusion in the budget, some of the major investment projects were prioritized by a central entity, but standard selection criteria were not used.
	11.3	Investment project costing	D	Projections of the total capital cost of major investment projects, together with the capital costs for the forthcoming budget year were completed however this information was not included in the budget documents.
	11.4	Investment project monitoring	D	The total cost and physical progress of major investment projects are monitored by the implementing government unit and by PAPRD on a sample basis. Information on implementation of major investment projects is prepared annually.
	PI-12	**Public asset management**	**D**	
	12.1	Financial asset monitoring	D	No monitoring of financial assets other than cash. Although some record of flows is recorded, no record of the stock of financial assets is maintained.
	12.2	Nonfinancial asset monitoring	D	There are asset registers of varying quality. Some line Ministries maintain lists of fixed assets. There is limited information available for large and significant assets such as infrastructure, mineral and energy sources, or other naturally or occurring assets.
	12.3	Transparency of asset disposal	D	GOM has rules for asset transfer/disposal. However, no information is included in reports or budget documents.
	PI-13	**Debt management**	**B+**	
	13.1	Recording and reporting of debt and guarantees	A	The Debt Management Division maintains manual records for both domestic and foreign debt, and monthly reconciliations with lenders are completed. Regular quarterly reports are submitted to the President's Office and cover both internal and external debts. Annual Debt Reports are published.
	13.2	Approval of debt and guarantees	B	The Public Debt Management Law requires all loans or guarantees to be undertaken by the MOPFI. The Hluttaw approves a ceiling for domestic and foreign debt with the budget, and individual large loans require specific Parliamentary approval.
	13.3	Debt management strategy	B	The latest version of the DMS (January 29, 2019) is available on the GOM website and covers FYs 2018/19 to 2020/21. Data on targets for interest rates, refinancing maturing loans and currency risks has been consistent over the last three financial years.
Policy-based fiscal strategy and budgeting	**PI-14**	**Macroeconomic and fiscal forecasting**	**C**	
	14.1	Macroeconomic forecasts	C	Time-series forecasts based on the Medium-Term Fiscal Framework informs the overall budget envelope and has been linked on the expenditure side with the PER work conducted by the World Bank. Forecasts cover the budget year and the next two financial years, but the details are not included in the documentation submitted to the legislature.
	14.2	Fiscal forecasts	C	Internal documents consider forecasts of the key variables in the budget and discuss targets: however, while forecasts are produced, there is no subsequent analysis or reporting on their accuracy.
	14.3	Macro-fiscal sensitivity analysis	C	The MOPFI conducts sensitivity analysis on a range of scenarios, particularly on the revenue side, where issues such as increases in prices for electricity and forecasting revenues from oil and gas extraction have come to the fore: however, these analyses are only for internal use and were not included in the budget documents presented to Parliament.

Pillar	Indicator/Dimension		Score	Description of requirements met
Policy-based fiscal strategy and budgeting	**PI-15**	**Fiscal strategy**	D+	
	15.1	Fiscal impact of policy proposals	D	While GOM prepares a Fiscal Policy Statement, it does not include fiscal impact from all proposed changes to revenue and expenditure. It was also not in place for the last three completed FYs.
	15.2	Fiscal strategy adoption	C	GOM has developed a fiscal strategy (at this stage for internal purposes only): the key result is quantified – i.e. that the deficit is within 5% of GDP.
	15.3	Reporting on fiscal outcomes	C	GOM has produced an internal report, showing that the deficit was within the "5% of GDP" range in the last completed FY.
	PI-16	**Medium term perspective in expenditure budgeting**	D+	
	16.1	Medium-term expenditure estimates	D	Medium-term expenditure estimates are available internally but not included in the budget law.
	16.2	Medium-term expenditure ceilings	D	Aggregate ceiling is communicated in the first budget circular, but only for one year ahead.
	16.3	Alignment of strategic plans and medium-term budgets	C	While five-year national plans and underlying sector plans have been produced and costed, actual budget allocations do not match the figures in the plans.
	16.4	Consistency of budgets with previous year estimates	NA	No documentation provided to explain changes in estimates.
	PI-17	**Budget preparation process**	B+	
	17.1	Budget calendar	B	As can be seen from *Table 3.7*, agencies had four weeks to complete detailed estimates for the 2019/20 budget, and evidence seen by the AT confirms that most agencies adhered to this deadline.
	17.2	Guidance on budget preparation	B	Indicative ceilings drawn from the MTFF plus other guidance were sent to agencies at the start of the process.
	17.3	Budget submission to the legislature	A	In each of the last three years, Parliament had more than two months to review and debate the Executive's proposals: the last budget proposal, which covered the period of the change in the financial year, was approved before the start of the FY.
	PI-18	**Legislative scrutiny of budgets**	C+	
	18.1	Scope of budget scrutiny	C	The JPAC conducts a lengthy review of the Executive's budget proposals, including: expenditure aggregates; detailed estimates of expenditure for the Union, States and Regions; fiscal policies; projections of revenue and proposed capital investments. However, a thorough review of fiscal policies and medium-term fiscal projections is not conducted.
	18.2	Legislative procedures for budget scrutiny	B	Procedures and processes for legislature's review of the budget law are approved before any hearings commence and are respected: the JPAC review is lengthy and has the benefit of technical support.
	18.3	Timing of budget approval	A	In each of the last three years, the budget was approved before the start of the new fiscal year.
	18.4	Rules for budget adjustments by the executive	B	There are clear rules that allow in-year reallocations within administrative heads, and these rules are followed.

Pillar	Indicator/Dimension		Score	Description of requirements met
Predictability and control in budget execution	**PI-19**	**Revenue administration**	**C+**	
	19.1	Rights and obligations for revenue measures	C	IRD uses multiple channels to provide comprehensive and up-to-date information on the main revenue obligations areas and rights.
	19.2	Revenue risk management	B	IRD assessment in LTO and MTO uses compliance improvement strategy as risk management approach.
	19.3	Revenue audit and investigation	C	There is a planned approach and basis for selecting which audits/ investigations to pursue. However, not all are completed within the fiscal year.
	19.4	Revenue arrears monitoring	B	The Assessment Team was able to acquire data for revenue arrears beyond the 3 major taxes.
	PI-20	**Accounting for revenues**	**C+**	
	20.1	Information on revenue collections	A	Monthly report on the revenue data collected by IRD includes the broken down by revenue type.
	20.2	Transfer of revenue collections	A	IRD transfers the collection directly into the account controlled by MEB on a daily basis.
	20.3	Revenue accounts reconciliation	C	IRD conducts reconciliation of tax revenue collection, arrears and transfers upon receiving bank account statements from Myanmar Economic Bank on monthly basis. The report is submitted to Treasury Department and Budget Department. The year-end reconciliation is undertaken within two months of the end of the fiscal year.
	PI-21	**Predictability of in-year resource allocation**	**B**	
	21.1	Consolidation of cash balances	C	Most bank and cash balances are consolidated on a monthly basis.
	21.2	Cash forecasting and monitoring	B	There is a cashflow forecast, and this is updated quarterly on the basis of actual cashflows.
	21.3	Information on commitment ceilings	B	Budgetary units are given drawing rights (which are effectively commitment ceilings) quarterly.
	21.4	Significance of in-year budget adjustments	A	Small adjustments between budget lines are allowed within the approved budget amounts. Large changes are made during the supplementary budget once a year through the Parliament.
	PI-22	**Expenditure arrears**	**C+**	
	22.1	Stock of expenditure arrears	A	The stock of expenditure arrears is less than 1% of total expenditure in 2016/17 and 2017/18 fiscal years, two of the last three completed fiscal years for which data was available.
	22.2	Expenditure arrears monitoring	C	Data is generated annually at the end of the fiscal year on the stock and composition of arrears.
	PI-23	**Payroll controls**	**B+**	
	23.1	Integration of payroll and personnel records	B	Payroll and personnel records are decentralized at ministry level. Changes made are recorded and checked against the previous month's payroll. Staff hiring and promotion is controlled by a list of approved staff positions. Given the decentralized and paper-based nature of management of records, no direct links established for budget control and data consistency.
	23.2	Management of payroll changes	B	Personnel records and payroll information are updated on a monthly basis and require a few retroactive adjustments, which OAGM estimates to be less than 10%.

Pillar	Indicator/Dimension		Score	Description of requirements met
Predictability and control in budget execution	23.3	Internal control of payroll	B	All changes to personnel and payroll data require the approval from the head of the respective department. An audit trail is in place that provides information on the date of entry, type of entry, staff information related to the transaction.
	23.4	Payroll audit	A	Payroll audits are conducted as part of the annual external audit by OAGM.
	PI-24	**Procurement**	**D+**	
	24.1	Procurement monitoring	D	There is no central agency in Myanmar responsible for procurement monitoring and evaluation. Thus, no prudent database or records for monitoring and reporting systems are in place within government at the central level for monitoring to ensure value for money and promote fiduciary integrity. There is no provision in the Procurement Directive for procurement monitoring functions. However, some individual procurement entities keep good records of procurement information to be considered as part of auditing by Office of Auditor General (OAG). There is no system to consolidate this information to provide a holistic picture of how the procurement system is performing to deliver value for money for government.
	24.2	Procurement methods	B	In line with Articles 10 and 11 of the Procurement Directive, all procurement contracts are required to go through some level of competitive tendering depending on set threshold. Direct contracting is only allowed in exceptional circumstances clearly stated in various provisions of the directive. Out of the 642 large value contracts with value of over 100 million kyats procured by 8 ministries that conduct highest volume of procurement out of the 25-line Ministries, 565 (88%) tenders were conducted through open competitive method. For contracts less than 100 million kyats, more than 80% were contracts through request for Quotation method, also a competitive method.
	24.3	Public access to procurement information	D	Out of the six criteria, only two fully meet the assessment requirements: (1) legal and regulatory framework for procurement and (2) bidding opportunities. From 642 large value contracts with value of over 100 million kyats per contract procured by 8 ministries assessed, 425 contracts (66%) in additional to posting in national newspapers also publicly posted on websites and notice boards. No annual procurement statistics are prepared nor published for public access.
	24.4	Procurement complaints management	D	No data exists to confirm application of the complaint handling mechanism by any of the procurement entities (Ministries) assessed. The provision under the Procurement Directive allows complainants to seek redress from MOPFI if not satisfied with procurement entity's resolution. However, a number of elements are left unaddressed.
	PI-25	**Internal controls on non-salary expenditure**	**B**	
	25.1	Segregation of duties	C	Appropriate segregation of duties is prescribed throughout the expenditure process. While responsibilities are clearly laid down for most key steps, more precise details may be needed.
	25.2	Effectiveness of expenditure commitment controls	B	The drawing limits effectively limit commitments to actual cash availability and approved budget ceilings for most types of expenditure.

Pillar	Indicator/Dimension		Score	Description of requirements met
Predictability and control in budget execution	25.3	Compliance with payment rules and procedures	B	Most payments are compliant with regular payment procedures, and the majority of exceptions are properly authorized in advance and justified.
	PI-26	**Internal audit effectiveness**	**D**	
	26.1	Coverage of internal audit	D	A compliance self-review process is operational at the departmental level within most line Ministries representing the majority of budgeted expenditures and for central government entities collecting the majority of budgeted government revenue. This does not however constitute a modern internal audit function.
	26.2	Nature of audits and standards applied	NA	Self-review activities are primarily focused on financial compliance.
	26.3	Implementation of internal audits and reporting	NA	Annual compliance self-review programs exist. The majority of departments audits are completed, as evidenced by the distribution of their reports to the appropriate parties.
	26.4	Response to internal audits	NA	Management provides a partial response to recommendations for the majority of the departments audited.
Accounting and Reporting	**PI-27**	**Financial data integrity**	**B**	
	27.1	Bank account reconciliation	C	Bank reconciliations for all active central government bank accounts takes place at least monthly, usually within 8 weeks from the end of each quarter.
	27.2	Suspense accounts	B	Reconciliation of suspense accounts takes place at least monthly, within two months from the end of each month. Suspense accounts are cleared in a timely way, no later than the end of the fiscal year unless duly justified.
	27.3	Advance accounts	B	Most reconciliations of advance accounts are completed within two months after the end of each month and are considered to be cleared in a timely way.
	27.4	Financial data integrity processes	B	Access and changes to records is restricted and recorded, and results in an audit trail.
	PI-28	**In-year budget reports**	**C+**	
	28.1	Coverage and comparability of reports	B	Coverage and classification of data allows direct comparison to the original budget with partial aggregation. Expenditures made from transfers to de-concentrated units within central government are included in the reports.
	28.2	Timing of in-year budget reports	C	Budget execution reports are prepared quarterly. All 4 quarterly reports for 2017/18 were issued internally within two months from the end of each quarter.
	28.3	Accuracy of in-year budget reports	C	There may be concerns regarding data accuracy. Data is useful for analysis of budget execution. Expenditure is captured at least at payment stage.
	PI-29	**Annual financial reports**	**C+**	
	29.1	Completeness of annual financial reports	C	Financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They include information on revenue, expenditure, and cash balances.
	29.2	Submission of reports for external audit	B	Financial reports for budgetary central government are submitted for external audit within 5 months of the end of the fiscal year.
	29.3	Accounting standards	C	Accounting standards applied to all financial reports are consistent with the country's legal framework and ensure consistency of reporting over time. The standards used in preparing annual financial reports are disclosed.

Pillar	Indicator/Dimension		Score	Description of requirements met
External scrutiny and audit	**PI-30**	**External audit**	**D+**	
	30.1	Audit coverage and standards	C	Most financial reports (80%) of central government entities are audited using national audit standards. The audits have highlighted any relevant significant issues.
	30.2	Submission of audit reports to the legislature	D	The external audit reports were submitted to parliament within eight months in FY 2015/16, within nine months and 6 days in FY 2016/17 and within six months in FY 2017/18.
	30.3	External audit follow-up	B	A formal, comprehensive, and timely response was made by the executive or the audited entity on audits for which follow-up was expected during the last three completed fiscal years.
	30.4	Supreme Audit Institution (SAI) independence	D	In practice the OAGM operates independently from the Executive when conducting its audits, and has unrestricted and timely access to records, documentation and information. However, OAGM is restricted to access and audit to Ministry of Defence (as per the constitution), and there are restrictions regarding foreign investment and confidential economic data.
	PI-31	**Legislative scrutiny of audit reports**	**C+**	
	31.1	Timing of audit report scrutiny	B	Scrutiny of audit reports on annual financial reports has been completed by the legislature within six months from receipt of the reports.
	31.2	Hearings on audit findings	C	In-depth hearings on key findings of audit reports take place occasionally, covering a few audited entities only.
	31.3	Recommendations on audit by the legislature	C	The legislature issues recommendations on actions to be implemented by the executive.
	31.4	Transparency of legislative scrutiny of audit reports	B	Hearings are conducted in public with a few exceptions in addition to national security or similar sensitive discussions. Committee reports are provided to the full chamber of the legislature and published on an official website or by any other means easily accessible to the public.
		Total Scored	**31**	

Annex 2: Summary of observations on the internal control framework

<table>
<tr><th colspan="2">Indicator/Dimension</th><th>Brief justification for score</th></tr>
<tr><td>1.</td><td colspan="2">Control environment: Regulations on Financial Management of Myanmar were updated in 2017 and contain 24 chapters such as duties and powers regarding PFM, Union fund and state and regional fund program, allotment and approval, accountability and internal supervision, procurement, control over Funds related bank accounts, safeguarding fixed assets of the Union, reporting and internal auditing.

Procurement Directive No. 1 /2017 was published in April 2017 and covers the tender Procedure for Procurement of Civil Works, Goods, Services, Rental and Sale of Public Properties for the Government Departments and Organizations.

There is an Internal Audit function at each Department within each of the Ministries rather than one internal audit function at the Ministry level. This means it is very difficult to ensure independence from line Management. Each department is responsible for applying 35/2017 and Procurement Directive No. 1 /2017. The internal control environment has improved compared with the previous PEFA assessment (for example, financial and procurement rules and regulations have been circulated) - however it is still relatively weak:
• internal audit functions are only now being established in all line Ministries and the capacity in SEEs varies;
• the central oversight function is still narrow and underdeveloped;
• there is a lack of a strategic approach to public financial management, with central oversight agency engagement focusing more on data entry and vouching and much less on analysis of results and impact;
• most agencies have lack of awareness of the requirements of 35/2017 and Procurement Directive No. 1 /2017;
• JPAC review report for 2017/18 FY Union Audit Report recommended that awareness training for financial and procurement regulation should be included Central Institute for Civil Service training program.</td></tr>
<tr><td>1.1</td><td>The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation</td><td>Clear policies, objectives and functions are established for each department. The Myanmar Civil Service Personnel Rules (26, March 2014) require civil servants to serve as planners, implementers and monitors of the roles of government in national development at all times through policies, professional public service, and clean of corruption and collusion[59].

The lack of centralized regulation and standard-setting with regards to the personnel and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation are still weak. Attitude of senior officers are still low[60]. Organizational requirements for ICT, HR, internal audit, legal services, planning, and statistics are centralized in the Minister's Office.</td></tr>
<tr><td>1.2</td><td>Commitment to competence</td><td>The Union Civil Servant Law requires civil servants to commit to and demonstrate competence in conducting their duties and responsibilities. The evaluation is conducted by each department however there are competency gaps.</td></tr>
<tr><td>1.3</td><td>The "tone at the top" (i.e. management's philosophy and operating style)</td><td>There has a still weak delegation of authority system, following the change from the previous military regime.</td></tr>
<tr><td>1.4</td><td>Organisational structure</td><td>Currently, overall human resource planning is governed by a two-thirds policy, which allows only two-thirds of the officially sanctioned posts to be filled. Human resource planning is managed at the department level in each ministry, and there is no ministry-wide strategic unit managing this function[61].</td></tr>
<tr><td>1.5</td><td>Human resource policies and practices</td><td>The Union Civil Servant Law enact for human resource policies and practices. However, there is lack of a strategic approach to performance managements and competency development policies and practices.</td></tr>
</table>

59 Civil Service Personnel Rules (2014) by The Union Civil Service Board, The Republic of the Union of Myanmar
60 Functional Review of Ministry of Commerce (2018) - Figure 16. Factors Affecting Time management
61 Myanmar Pay, Compensation, And Human Resource Management Review Report, 2018, MOPFI and WB

Indicator/Dimension	Brief justification for score
2. Risk assessment	
2.1 Risk identification	There is no proper risk identification system. Several PIs are related to the extent to which risks are identified, notably: Economic Analysis of Investment Proposals is rated 'D' in 11.1 – Limited economic analyses were conducted, to assess some major investment projects but the results are not published. These analyses were reviewed by an entity other than the sponsoring entity. Debt Management Strategy is rated 'B' in 13.3 – The latest version of the Debt Management Strategy (January 29, 2019) is available on the GOM website and covers FYs 2018/19 to 2020/21. Data on targets for interest rates, refinancing maturing loans and currency risks has been consistent over the last three financial years. Macro fiscal sensitivity analysis is rated 'C' in 14.3 – The MOPFI conducts sensitivity analysis on a range of scenarios, particularly on the revenue side, where issues such as increases in prices for electricity and forecasting revenues from oil and gas extraction have come to the fore: however, these analyses are only for internal use and were not included in the budget documents presented to Parliament. Revenue Risk Management is rated 'B' in 19.2 – IRD assessment in LTO and MTO uses compliance improvement strategy as risk management approach. Cash forecasting and monitoring is rated 'B' in 21.2 - The Treasury Department prepares and regularly updates detailed cash forecasts. The forecasts are based on the monthly expenditure plans received from the spending units This is updated quarterly on the basis of actual cashflows
2.2 Risk assessment (significance and likelihood)	There is no comprehensive regular risk assessment. See risk identification (2.1 above)
2.3 Risk evaluation	Implementation of internal audits and reporting is rated 'NA' in 26.2 - Internal audit activities are primarily focused on financial compliance. Implementation of internal audits and reporting is rated "NA" in 26.3. Annual audit programs exist. The majority of departments audits are completed, as evidenced by the distribution of their reports to the appropriate minister office and related department.
2.4 Risk appetite assessment	There is no proper risk appetite assessment. No information available from the PEFA assessment
2.5 Responses to risk (transfer, tolerance, treatment or termination)	No information available from the PEFA assessment
3. Control activities	
3.1 Authorization and approval procedure	All agencies apply the 35/2017 for the authorization and approval process. Financial data integrity processes are rated 'B' in 27.4. Access and changes to records is restricted and recorded, and results in an audit trail. Recording and reporting of debt and guarantees are rated 'A' in 13.1. Domestic and foreign debt and guaranteed debt records are complete, accurate, and updated quarterly. Most information is reconciled quarterly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced at least annually. Approval of debt and guarantees are rated 'B' in 13.2. The Public Debt Management Law requires all loans or guarantees to be undertaken by the MOPFI. Parliament approves a ceiling for domestic and foreign debt with the budget, and individual large loans require specific Parliamentary approval. Effectiveness of expenditure commitment controls is rated 'B' in 25.2. The cash drawing limits work effectively to limit expenditure to cash availability. Integration of payroll and personal records is rated 'B' in 23.1. Decentralized personnel records and payroll information at the department level within each agency but are reconciled monthly. Management of payroll changes is rated 'B' in 23.2. Updates are made monthly. Compliance with payroll payment rules and procedures is rated 'B' in 23.3. Monthly reconciliation at departmental level in each Ministry.

Indicator/Dimension	Brief justification for score
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	There has a segregation of duties as per 35/2017 and most of the agencies comply. Segregation of duties is rated 'C' in 25.1. Appropriate segregation of duties is prescribed throughout the expenditure process. Responsibilities are clearly laid down for most key steps while further details may be needed in a few areas.
3.3 Controls over access to resources and records	In ensuring accountability with regards to the use of resources and records, the head of a government institution is required to designate particular staff members as being responsible for the safe keeping of resources and records and conduct periodic reviews with a view to verifying the effectiveness of such arrangements. However, all are in paper-based system and some agency used the excel sheet for the records. Compliance with payment rules and procedures is rated 'B' in 25.3. Most payments are compliant with regular payment procedures. All exceptions are properly authorized in advance and justified. Financial data integrity processes are rated 'B' in 27.4. Access and changes to records is restricted and recorded, and results in audit trail.
3.4 Verifications	Accuracy of in-year budget reports which is rated 'C' in 28.3. There may be concerns regarding data accuracy. Data is useful for analysis of budget execution. Expenditure is captured at least at payment stage.
3.5 Reconciliations	Banks account reconciliations are rated 'C' in 27.1. Bank reconciliations for all active central government bank accounts takes place at least monthly, usually within 8 weeks from the end of each quarter. Suspense account reconciliations are rated 'B' in 27.2. Reconciliation of suspense accounts takes place at least monthly, within two months from the end of each month. Suspense accounts are cleared in a timely way, no later than the end of the fiscal year unless duly justified.
3.6 Reviews of operating performance	Revenue audit and investigations are rated 'C' in 19.3. There is a planned approach and basis for selecting which audits/investigations to pursue. However, not all are completed within the fiscal year.
3.7 Reviews of operations, processes and activities	Procurement monitoring is rated 'D' in 24.1. There is no central agency in Myanmar responsible for procurement monitoring and evaluation. Thus, no prudent database or records for monitoring and reporting systems are in place within government at the central level for monitoring to ensure value for money and promote fiduciary integrity. There is no provision in the Procurement Directive for procurement monitoring functions. However, some individual procurement entities keep good records of procurement information to be considered as part of auditing by Office of Auditor General (OAG). There is no system to consolidate this information to provide a holistic picture of how the procurement system is performing to deliver value for money for government.
3.8 Supervision (assigning, reviewing and approving, guidance and training)	No information available from the PEFA assessment.
4. Information and communication	No information available from the PEFA assessment.

Indicator/Dimension		Brief justification for score
5.	**Monitoring**	
5.1	Ongoing monitoring	Resources received by service delivery units is rated 'C' in 8.3. Resource flows to service delivery units in education and health are recorded as part of the annual budget process. This information was not relayed to higher level offices and was not reported on. However, it was available at the township level offices for the respective service delivery units under their jurisdiction. Monitoring of public corporations is rated 'D' in 10.1. MOPFI – PAPRD receive annual financial statements from all SEEs but it was not possible to determine the date they were received and no access to their audit reports was provided Monitoring of subnational governments is rated 'D' in 10.2. Regional OAGs conduct the audits in respective States or Regions. They are submitted to the local Parliament and Chief Minister but are not made public. It was not possible to determine the dates the audits were completed as access to the audit reports was not available. Subnational financial statements are not consolidated into a higher Union level documentation. Contingent liabilities and other fiscal risks are rated 'D' in 10.3. No comprehensive report on contingent liabilities and other fiscal risks was prepared for any of the three fiscal years. Investment project monitoring is rated 'D' in 11.4. The total cost and physical progress of major investment projects are monitored by the implementing government unit. Information on implementation of major investment projects is prepared annually but not published. Quality of central government financial asset monitoring is rated 'D' in 12.1. No monitoring of financial assets other than cash. Although some record of flows is recorded, no record of stock financial assets exists. Quality of central government non-financial asset monitoring is rated 'D' in 12.2. There are asset registries of varying quality. Some line ministries maintain lists of fixed assets. There is limited information available for large infrastructure. assets. Revenue arrears monitoring is rated 'B' in 19.4. The stock of revenue arrears at the end of 2017/18 was 1.2% of the total revenue collection for the year. Revenue arrears older than 12 months was 34% of total revenue arrears balance at the end of the year. Expenditure arrears monitoring is rated 'C' in 22.2. Data is generated annually at the end of the fiscal year. Procurement monitoring is rated 'D' in 24.1. There is no central agency in Myanmar responsible for procurement monitoring and evaluation. Thus, no prudent database or records for monitoring and reporting systems are in place within government at the central level for monitoring to ensure value for money and promote fiduciary integrity. There is no provision in the Procurement Directive for procurement monitoring functions. However, some individual procurement entities keep good records of procurement information to be considered as part of auditing by Office of Auditor General (OAG). There is no system to consolidate this information to provide a holistic picture of how the procurement system is performing to deliver value for money for government. Implementation of internal audits and reporting is rated 'NA' in 26.4. Management provides a partial response to audit recommendations for the majority of the departments audited.
5.2	Evaluations	Performance evaluation for service delivery is rated 'B' in 8.4. Annual reviews are conducted, and these report a range of statistics and key planning information. Investment project selection is rated 'D' in 11.2. Prior to their inclusion in the budget, some of the major investment projects were prioritized by a central entity but did not use standard selection criteria.
5.3	Management responses	Response to internal audits is rated 'NA' in 26.4. Management provides a partial response to audit recommendations for the majority of the departments audited. External audit follow-up is rated 'B' in 30.3. A formal, comprehensive, and timely response was made by the executive or the audited entity on audits for which follow-up was expected during the last three completed fiscal years.

Annex 3A: List of People Interviewed or Consulted

No		Name	Title/Unit
Budget Department			
1	Ms.	Theingi Oo	Deputy Director General
2	Ms.	Khin Khin Lwin	Director
3	Ms.	Naw Wilmar Oo	Director
4	Mr.	Aung Myat Kyaw	Director
5	Ms.	Aye Aye Mon	Director
6	Ms.	San Thida	Director
7	Ms.	War War Tun	Director
8.	Ms.	Swe Zin Maw	Assistant Director
9.	Ms.	Aye Aye Khaing	Assistant Director
10.	Mr.	Tun Linn Oo	Assistant Director
11.	Ms.	Chaw Su Khaing	Assistant Director
12.	Ms.	Aye Thida Naing	Assistant Director
13.	Ms.	Swe Zin Oo	Assistant Director
Treasury			
1	Ms.	Ye Ye Khine	Deputy Director General
2	Ms.	Khin Soe Oo	Deputy Director General
3	Ms.	Ni Ni Than	Director
4	Ms.	Than Than Win	Director
5	Ms.	Thin Thin Su	Director
6	Ms.	Phyu Phyu Soe	Director
7	Ms.	Lwin Lwin Khaing	Deputy Director
8	Ms.	Htarrikar	Deputy Director
OAGM			
1	Ms.	Naing Thet Oo	Permanent Secretary
2	Ms.	Khine Khine Aung	Director General, Audit Department
3	Ms.	San San Win	Deputy Director General, Audit Department
4	Ms.	Si Si Chein	Deputy Permanent Secretary
5	Mr.	Aye Ngwe	Director, International relation Department
6	Ms.	Thandar Phyu Aye	Deputy Director, Audit Department
Planning			
1	Ms.	Thway Thway Chit	Director General
2	Mr.	Tin Tin Myint	Deputy Director General
3	Ms.	Nyunt Nyunt Shwe	Director

No		Name	Title/Unit
PAPRD			
1	Mr.	U Aung Khaing Tun	Director General
2	Ms.	Khin Swe Latt	Deputy Director General
3	Ms.	Ni Ni Lwin	Director
4	Ms.	Dr. Wai Wai Shein	Assistant Director
Joint Public Accounts Committee			
1	Mr.	Aung Min	Deputy Chair, JPAC
2	Ms.	Tin Tin Myint	Director
3	Ms.	Thuzar Htwe	Deputy Director
4	Ms.	Khaing Zin Thet	Senior Staff Officer
Internal Revenue Department			
1	Mr.	Khai Lian Cin Thang	Director/Tax Reform Directorate
2	Ms.	Daw Mu Mu Saw	Director/Statistics Directorate
3	Mr.	U Han Lin	Deputy Director/Inspection Directorate
4	Ms.	Daw Zin Nwe Soe	Deputy Director/Finance Directorate
5	Ms.	Daw Swe Swe Khaing	Deputy Director/ Corporate Communication Unit
6	Ms.	Daw Nan Paung Kham	Deputy Director/MTO-1
7	Ms.	Daw Khin Ni Lar Shwe	Deputy Director/DMD
8	Mr.	U Myo Min Latt	Deputy Director/Tax Policy Unit
9	Ms.	Daw Shwe Sin Yee	Deputy Director/Legal Affairs Unit
Customs Department			
1	Mr.	Kyi Oo	Director
2	Mr.	Chit Win	Deputy Director
3	Ms.	Wai Wai kyaw	Deputy Director
4	Ms.	Thwet Thwet Zin	Assistant Director
5	Mr.	Aung Tun Naing	Staff Officer
6	Ms.	May Yadanar Tun	Inspector
Yangon Electricity Supply Corporation, Ministry of Electricity and Energy			
1	Mr.	Myint Thu	General Manager (Engineer), Planning Department
2	Ms.	Yee Mon Mon	Assistant General Manager, Planning Department
Yangon Region, Budget Department, MOPFI			
1	Ms.	Khin Win Yee	Director, Budget Department, MOPFI
Central Bank of Myanmar			
1	Ms.	Myint Myint Kyi	Director General
2	Ms.	Moht Moht Kyi	Deputy Director General
3	Ms.	Khaing Shwe War	Deputy Director General
4	Ms.	Kyi Moe Moe Aye	Director

No		Name	Title/Unit
Ministry of Education			
1	Ms.	Mar Mar Cho	Deputy Director General
2	Ms.	Khin Khin Gyi	Deputy Director General
3	Ms.	Khin May Thit	Director, DHE
4	Mr.	Than Soe Aung	Director
5	Ms.	Khin Thandar Win	Deputy Director
6	Ms.	Khin Aye Thant	Deputy Director
Ministry of Health and Sports			
1	Mr.	Dr. Kyaw Soe Min	Director, Procurement,
2	Mr.	Dr. Kyaw Zeya	Deputy Director General, Administration Unit,
3	Ms.	Khine Khine Kyi	Director, Finance Department, DPH
4	Ms.	San	Deputy Director, Finance, DPH
5	Ms.	Dr. Khin Thu Htet	Assistant Director, NIMU
6	Ms.	Dr. Phyu Win Thant	Assistant Director, NIMU
7	Ms.	Su Myat Thandar Win	Assistant Officer, DMS
Ministry of Electricity and Energy			
1	Mr.	Khin Maung Win	Managing Director, Electric Power Generation Enterprise
2	Mr.	Saw Myint Maung	Managing Director, Department of Electricity Supply Enterprise
3	Ms.	Aye Aye Mon	General Manager (Finance), Electric Power Generation Enterprise
4	Ms.	Mar Mar Aye	Director, Department of Electricity Supply Enterprise
5	Mr.	Sein Win	Director, Electric Power Generation Enterprise
6	Ms.	Mai Too Mar lwin	Deputy Director, Department of Electricity Supply Enterprise
7	Ms.	Myat Thuzar	Assistant Director, Department of Electric Power Transmission and System Control
Planning and Economic Management Unit, Oil and Gas Planning Department, MoEE			
1	Mr.	Win Maw	DDG, Oil and Gas Planning Department
2	Mr.	Tin Zaw Myint	Director, Oil and Gas Planning Department
3	Ms.	Mu Mu Myint	Deputy Director, Oil and Gas Planning Department
4	Ms.	Nyunt Nyunt Kyi	Deputy Director, Oil and Gas Planning Department
5	Ms.	Aye Aye Maw	Assistant Director, Oil and Gas Planning Department
6	Ms.	Htay Htay Aung	Director, MPPE
7	Mr.	Myint Myint Win	Director (Finance), MPE
8	Mr.	Aung Soe Min	Director (Finance), MOGE
9	Ms.	San San Aye	Manager (Finance), MOGE
10	Ms.	Myint Myint Khine	Manager (Finance), MOGE
11	Ms.	Nyunt Nyunt Khin	Financial Consultant, MOGE
Ministry of Natural Resources and Environmental Conservation (Mining)			
1	Mr.	Thein Soe Oo	Deputy Permanent Secretary

No		Name	Title/Unit
Ministry of Natural Resources and Environmental Conservation (Forestry)			
1	Mr.	Kyaw Zaw	Deputy Permanent Secretary
2	Mr.	Nyi Nyi Tun	General Manager (Planning), Myanmar Timber Enterprise
3	Ms.	Khin Myo That	Assistant Permanent Secretary, Union Minister's Office (Finance)
4	Ms.	Kaythi Myint	Deputy Director, Union Minister's Office (Finance)
5	Ms.	Nilar Zin	Deputy Director, Union Minister's Office (Finance)
Ministry of Natural Resources and Environmental Conservation (Forestry)			
1	Mr.	Ko Ko Naing	Assistant Permanent Secretary
2	Mr.	Moe Oo	Director
3	Mr.	Win Ko	Deputy Director
4	Mr.	Wai Phyo Kyaw	Assistant Director, Irrigation Department
5	Ms.	Yu Yu Win	Assistant Director
Social Security Board			
1	Ms.	Yin Yin Ohn	Deputy Director General
2	Mr.	Kyaw Kyaw	Director
3	Mr.	Thein Win	Director
4	Ms.	Dr. Khin Nwet Htay	Director

Annex 3B: Sources of Information by Type or by Indicator

General Document

Qualitative information related to PIs 6 and 19 from Custom Departments (English version).

Websites used

www.myanmarcustoms.gov.mm

Data sources by indicator/dimension

Indicator/dimension	Data Sources
I. Budget reliability	
PI-1. Aggregate expenditure outturn	• In-year budget report for FY 2015/16 to FY 2017/18 • Audited State Financial Statement FY 2015/2016 to FY 2017/18 • Unaudited government financial statement FY 2015/16 to FY 2017/18 • Annual Budget Law FY 2015/16 to FY 2017/18
1.1 Aggregate expenditure outturn	
PI-2. Expenditure composition outturn	1. Current, Capital and Financial Expenditure statement for FY 2015/16, 2016/17 and 2017/18) from Mining Affairs, MONREC (in Myanmar version) 2. Current, Capital and Financial Expenditure statement for FY 2015/16, 2016/17, 2017/18 and 2018/19 (up to April 2019) from Department of Medical Services, MOHS (in Myanmar version) 3. Current, Capital and Financial Expenditure statement for FY 2015/16, 2016/17, 2017/18 and 2018/19 (up to April 2019) from Department of Public Health, MOHS (in Myanmar version) 4. Citizen Budget FY 2015/16 to FY 2017/18 5. Audited State Financial Statement FY 2015/2016 to FY 2017/18 6. Regulations on Financial Management of Myanmar (2017)
2.1. Expenditure composition outturn by function	
2.2. Expenditure composition outturn by economic type	
2.3. Expenditure from contingency reserves	
PI-3. Revenue outturn	1. Current, Capital and Financial Revenue statement for FY 2015/16, 2016/17 and 2017/18) from MNREC (in Myanmar version) 2. Revenue statement for FY 2015/16, 2016/17 and 2017/18 MNREC 3. Revenue statement for FY 2015/16, 2016/17 and 2017/18 Customs 4. Audited State Financial Statement FY 2015/2016 to FY 2017/18
3.1 Aggregate revenue outturn	
3.2 Revenue composition outturn	
II. Transparency of public finances	
PI-4. Budget classification	• Regulations on Financial Management of Myanmar (2017) • Myanmar Fiscal Data Summary according to Myanmar Accounting Method and Myanmar Fiscal Data according to IMF's Government Finance Statistics Analytical Method, MOPFI, March 2019
4.1 Budget classification	
PI-5. Budget documentation	• Annual Budget Law FY 2015/16 to FY 2017/18 • Citizen Budget FY 2015/16 to FY 2017/18
5.1 Budget documentation	
PI-6. Central government operations outside financial reports	• Information from the MOPFI, Central Bank of Myanmar, SAI, and others about government bank accounts that are not managed by the Treasury Department • Financial records of ministries and extrabudgetary units not reported in central government financial reports (e.g., bookkeeping and/or petty cash records, invoices, bank statements, etc. • Annual financial reports of extrabudgetary units • Correspondence with central agency regarding financial reports
6.1 Expenditure outside financial reports	
6.2 Revenue outside financial reports	
6.3 Financial reports of extra-budgetary units	

Indicator/dimension		Data Sources
PI-7.	**Transfers to subnational governments**	• Legislation or rules governing transfers from CG to SNG. • Annual budget documents • MOPFI, or specific entity in charge of matters such as Minister of Local Government or Decentralization; • Triangulation with representatives of SNG, either at selected subnational entities or subnational associations subnational
7.1	System for allocating transfers	
7.2	Timeliness of information on transfers	
PI-8.	**Performance information for service delivery**	• Department of Higher Education Strategy which is included activities, result, budget allocation and challenges for FY 2017-18, 2018 Mini Budget and 2018-19 (Myanmar version) • Annual budget and supporting budget documentation • Ministry budget statements and/or performance plans. • Other documents on ministry service delivery plans containing performance information; • Annual financial statements; • In-year budget execution reports • Financial reports or statements of donor organizations • Budget management system or accounting system • Line ministries and departments • SAI • Internal audit unit • MOPFI
8.1	Performance plans for service delivery	
8.2	Performance achieved for service delivery	
8.3	Resources received by service delivery units	
8.4	Performance evaluation for service delivery	
PI- 9	**Public access to fiscal information**	• Listed documents may be accessible from the MOPFI, State Audit Institution, and procurement authority. • Access should be corroborated through availability at government bookshops, websites, public library, notice boards, and public interest groups as governance NGOs, chamber of commerce, development partner's country offices.
9.1	Public access to fiscal information	
III.	**Management of assets and liabilities**	
PI- 10	**Fiscal risk reporting**	• A list of public corporations, and data on dates of submission, publication and audit should be compiled by the MOPFI or SAI • MOPFI • Ministry of Local Government or similar • Triangulation with information from selected subnational governments • Annual financial statements • Financial or other reports of budgetary units
10.1	Monitoring of public corporations	
10.2	Monitoring of subnational government (SNG)	
10.3	Contingent liabilities and other fiscal risks	
PI- 11:	**Public investment management**	• MOPFI • Line ministries and agencies • Agency in charge of public investments, if any • National guidelines to conduct economic analysis • Economic analysis of investment projects • Legislation on public investment • Annual budget documentation • Medium-term expenditure framework, if available • Guidelines on monitoring public investments • Databases • Project monitoring reports
11.1	Economic analysis of investment proposals	
11.2	Investment project selection	
11.3	Investment project costing	
11.4	Investment project monitoring	
PI-12:	**Public asset management**	• Fixed Asset Register, Custom Department as at 31st March 2018 (Myanmar Version) • Consolidated financial statements, including notes relating to the holdings of financial assets. • Asset management agency, if any. • Budget and extra budgetary units holding financial and non-financial assets • MOPFI, Treasury Department • Internal audit units • SAI
12.1	Financial asset monitoring	
12.2	Nonfinancial asset monitoring	
12.3	Transparency of asset disposal.	

Indicator/dimension		Data Sources
PI-13:	**Debt management**	• MOPFI • Treasury Department • Debt Management office • Debt Management entities • Central Bank of Myanmar • Line ministries when necessary.
13.1	Recording and reporting of debt and guarantees	
13.2	Approval of debt and guarantees	
13.3	Debt management strategy	
IV.	**Policy-based fiscal strategy and budgeting**	
PI-14:	**Macroeconomic and fiscal forecasting**	• Annual budget documents • Annual budget circular • Policy and analytical advice to government • MOPFI working papers • The reviewing entity • The unit preparing the initial forecasts • Records of legislative proceedings
14.1	Macroeconomic forecasts	
14.2	Fiscal forecasts	
14.3	Macro-fiscal sensitivity analysis	
PI-15	**Fiscal strategy**	• MOPFI • Office of the President
15.1	Fiscal impact of policy proposals	
15.2	Fiscal strategy adoption	
15.3	Reporting on fiscal outcomes	
PI-16	**Medium-term perspective in expenditure budgeting**	• Annual budget estimates • Formal directions or instructions on ceilings to ministries • Budget circular • MOPFI • Large sector ministries • MOPFI • Annual budget documents • Large sector ministries
16.1	Medium-term expenditure estimates	
16.2	Medium-term expenditure ceilings	
16.3	Alignment of strategic plans and medium-term budgets	
16.4	Consistency of budgets with previous year's estimates	
PI-17:	**Budget preparation process**	• MOPFI (budget department), corroborated by finance officers of large spending budgetary units; • MOPFI (budget department), corroborated by the legislature (finance commission)
17.1	Budget calendar.	
17.2	Guidance on budget preparation	
17.3	Budget submission to the legislature	
PI-18:	**Legislative scrutiny of budgets**	• Budget Director-General, JPAC, Joint Vetting Groups of the Union Assembly (Legislatures) • JPAC, Legislature committees • MOPFI (budget department), corroborated by the legislature (budget/ finance commissions) • Internal and/or external audit reports
18.1	Scope of budget scrutiny.	
18.2	Legislative procedures for budget scrutiny.	
18.3	Timing of budget approval.	
18.4	Rules for budget adjustments by the executive.	

Indicator/dimension		Data Sources
V.	**Predictability and control in budget execution**	
PI-19	**Revenue administration**	• Tax code and other revenue legislation. In resource-rich countries, additional legislation may include relevant information as part of natural resource management arrangements • Revenue agency websites and publications with information on key obligations and rights • Customized information products tailored to the needs of key payer segments • Documented procedures (of the entities collecting most or majority of the central government revenue) (The best information sources are the revenue authorities, and investment and promotion agencies. Information should also be triangulated with taxpayer and business associations, chamber/s of commerce, etc. • Some countries have one-stop shops, government service centers, or e-government portals that perform some or all of the client service involved in revenue administration.) • Documented risk management approach used by revenue authorities to assess and prioritize compliance risks • A register of identified compliance risks for each payer segment (and for large- and medium-sized payers at a minimum) • Documented compliance improvement plan • Status reports on progress in the implementation of planned risk-mitigation activities and audit and fraud investigations • Revenue collection authority records such as a documented report on (i) the stock of revenue arrears; and (ii) revenue arrears older than 12 months
19.1	Rights and obligations for revenue measures	
19.2	Revenue risk management	
19.3	Revenue audit and investigation	
19.4	Revenue arrears monitoring	
PI-20	**Accounting for Revenues**	• Entities/revenue authorities collecting CG revenue • Treasury or other designated revenue recipients • Central Bank of Myanmar
20.1	Information on revenue collections	
20.2	Transfer of revenue collections	
20.3	Revenue accounts reconciliation.	
PI-21	**Predictability of in-year resource allocation**	• MOPFI and Treasury Department • Budgetary units • Central Bank of Myanmar
21.1	Consolidation of cash balances.	
21.2	Cash forecasting and monitoring.	
21.3	Information on commitment ceilings.	
21.4	Significance of in-year budget adjustments.	
PI-22	**Expenditure arrears**	• Treasury Department • Budget directorate; • Government accounting office; • Budgetary units; • Debt Management Office • Chamber of Commerce/Industry and other private sector representatives for triangulation;
22.1	Stock of expenditure arrears.	
22.2	Expenditure arrears monitoring	

Indicator/dimension	Data Sources
PI-23 Payroll controls	• Public service commission • Personnel management directorate or department. • Accountant General • Finance officers of budgetary units and agencies • SAI to triangulate information • Staff union to triangulate information • Audit units to triangulate information
23.1 Integration of payroll and personnel records.	
23.2 Management of payroll changes.	
23.3 Internal control of payroll.	
23.4 Payroll audit.	
PI-24 Procurement	• The Republic of the Union of Myanmar, President's Office, Directive No. 1 /2017, April 10, 2017 - Tender Procedure for Procurement of Civil Works, Goods, Services, Rental and Sale of Public Properties for the Government Departments and Organizations • Procurement List for FY 2016/17, FY 2017/18 under Current Expenditure and capital Expenditure from MOGE • Survey Report for Published Public Procurement Information by Treasury
24.1 Procurement monitoring.	
24.2 Procurement methods.	
24.3 Public access to procurement information.	
24.4 Procurement complaints management.	
PI-25 Internal controls on non-salary expenditure	• Internal Control and Internal Audit procedure (Myanmar version)
25.1 Segregation of duties.	
25.2 Effectiveness of expenditure commitment controls.	
25.3 Compliance with payment rules and procedures.	
PI-26 Internal audit	• Internal Audit team establishing letter (Dt: 1st August 2017) from MNREC, Environmental and Forestry Affair) (Myanmar version) • Internal Audit Report for FY 2015/16 9April to September) from MNREC, Environmental and Forestry Affair) (Myanmar version) • Internal Audit assessment report from MOPFI
26.1 Coverage of internal audit.	
26.2 Nature of audits and standards applied	
26.3 Implementation of internal audits and reporting.	
26.4 Response to internal audits.	
VI. Accounting and reporting	
PI-27 Financial data integrity	• Treasury Department • Accountant General • SAI • Central bank of Myanmar • Budget directorate • Accounting directorate • Oversight body • Internal audit
27.1 Bank account reconciliation.	
27.2 Suspense accounts.	
27.3 Advance accounts.	
27.4 Financial data integrity processes	
PI-28 In-year budget reports	1. Current, Capital and Financial In-year budget reports for 2018 -2019 (April) Statement for Myanmar Timber Enterprise, MONREC (Dt: May 3rd, 2019 -letter from MTE to Minister office - MONREC) (Myanmar version) 2. Current, Capital and Financial In-year budget reports for 2015/16, 2016/17 and 2017/18 for Myanmar Timber Enterprise, MONREC (Myanmar version) 3. Current, Capital and Financial In-year budget reports for 2015/16, 2016/17 and 2017/18 for MONREC (Myanmar version) 4. Revenue figures revised estimates (RE) and actuals for the FYs under investigation
28.1 Coverage and comparability of reports.	
28.2 Timing of in-year budget reports.	
28.3 Accuracy of in-year budget reports	

Indicator/dimension		Data Sources
PI-29	**Annual financial reports**	1. Myanmar Timber Enterprise - Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Profit and Loss Appropriation Statement and Summary of Fixed Asset/Motor Vehicle/Road and Fences/Equipment/Furniture/Building/ land and Log Pond/Road Construction Equipment/Logging equipment/ Motor Lunches and Boats/ Sawmill machines/Marketing Equipment Account for FY2015/16, FY 2016/17 and 2017/18 (English version) 2. Actual revenue and expenditure Statement for 2017-18 Financial Year for Public Health Department, MOHS (dated: July 5th, 2018 from Public Health Department to MOHS) (Myanmar version) 3. Actual revenue and expenditure Statement for 2017-18 Financial Year for Basic Education Department, MOE (dated: August 3rd, 2018 from Basic Education Department to MOE) (Myanmar version) 4. Actual revenue and expenditure Statement for 2015/16, 2016/17 and 2017-18 Financial Year for Department of Medical Services, MOHS (Myanmar version)
29.1	Completeness of annual financial reports.	
29.2	Submission of the reports for external audit.	
29.3	Accounting standards.	
VII.	**External scrutiny and audit**	
PI-30	**External audit**	• Timeline table for Annual Financial Report received date and audit report submission to President Office from OAG and evident letters from Treasury and submission letters to President Office (FY 2015/16 to 2017/18) • Self-assessment by OAG for PI 30 • ISSAI based Financial Audited Departments and Organization List for FY 2017/18 and FY 2018 Mini Budget (Myanmar version) • ISSAI based Financial Audited ADB's projects list for FY 2015/16, 2016/17 and 2017/18 and FY 2018 Mini Budget (English version) • Samples: Sectional Program/work plan lead sheet for Audit plan and actual % of total budget and Materiality Calculation Sheet (Overall and Performance) for Ministry of Construction, Department of Highways (FY 2017-18) and MEMS project, CSO for 2018 Mini Budget – 88% (Myanmar version) • Informing letter for sending audit team to audit FY 2018 (April to September) included Auditing period, team members and required information to MEB from OAG (Dt: 22nd February 2019) (Myanmar version) • Informing letter for audit finding for FY 2017/18 to PAPRD from OAG which is included to respond between 30 days (Dt: 15th November 2018) (Myanmar version) • Reply letter for responses to audit finding and recommendation from PAPRD to OAG for FY 2017/18 (Dt: 27th November 2018) (Myanmar version) • Informing letter for audit finding for FY 2017/18 to Ministry of Construction, Department of Highways from OAG which is included to respond between 30 days (Dt: 29th March 2019) (Myanmar version) • Reply letter for responses to audit finding and recommendation from Ministry of Construction, Department of Highways to OAG for FY 2017/18 (Dt: 22nd April 2019) (Myanmar version)
30.1	Audit coverage and standards.	
30.2	Submission of audit reports to the legislature	
30.3	External audit follow up.	
30.4	Supreme Audit Institution independence.	
PI-31	**Legislative scrutiny of audit reports**	• OAG, MOPFI, JPAC, legislature, and Budget Committees of the parliament (PACs) • Respective legislative committees, the Budget Committee of the parliament, OAG, and the MOPFI • JPAC, Legislature, OAG
31.1	Timing of audit report scrutiny	
31.2	Hearings on audit findings.	
31.3	Recommendations on audit by the legislature.	
31.4	Transparency of legislative scrutiny of audit reports.	

Annex 3C: List of reference and analytical work

- The Republic of the Union of Myanmar, Public Financial Management Performance Report, May 2013
- 2018 Public Financial Management Reform Program Strategy, MOPFI
- Myanmar Public Expenditure Review: Overview: The World Bank Group, May 2015
- Myanmar Public Expenditure Review 2017: Fiscal Space for Economic Growth, The World Bank Myanmar
- Myanmar 2018 Education Budget Brief: UNICEF
- Myanmar Economic Monitor, May 2016, The World Bank Group
- Myanmar Economic Monitor, December 2016, The World Bank Group
- Myanmar Economic Monitor, October 2017, The World Bank Group
- Myanmar Economic Monitor, May 2018, The World Bank Group
- Myanmar Economic Monitor, December 2018, The World Bank Group
- Myanmar Economic Monitor, June 2019, The World Bank Group
- Survey Report for Published Public Procurement Information, June 2019, MOPFI
- Financing Local Development in Myanmar: Arrangements, Outcomes & Options for Improvement, Asia Foundation, November 2019

Annex 4: Tracking change in performance based on previous versions of PEFA

This annex provides a summary table of the performance at indicator and dimension level. The table specifies the scores with a brief explanation for the scoring for each indicator and dimension of the current and previous assessment.

Indicator/Dimension by 2011 PEFA framework		Assessment under the 2011 framework		Explanation / Reasons for change between 2013 and 2019 assessments
		Score in 2013	Score in 2019	
PI-1	Aggregate expenditure out-turn compared to original approved budget	C	A	Only in 1 FY expenditure deviated from budget by more than 5%. All 3 FYs were above 5% in the previous assessment (PA)
PI-2	Composition of expenditure out-turn compared to original approved budget	D+	B+	M1
i.	Extent of the variance in expenditure composition during the last three years, excluding contingency items	D	B	No excess of 10% deviation. Over 20% for 3 FYs in PA
ii.	The average amount of expenditure actually charged to the contingency vote over the last three years.	A	A	No change
PI-3	Aggregate revenue out-turn compared to original approved budget	B	B	Domestic revenue outturn narrowed to 97-110%. PA= 96%-118%
PI-4	Stock and monitoring of expenditure payment arrears	N/R	A	M1
i.	Stock of expenditure payment arrears and a recent change in the stock.	N/R	A	Under 1% of expenditure
ii.	Availability of data for monitoring the stock of expenditure payment arrears.	D	A	Consolidated annually at the end of FY
PI-5	Classification of the budget	D	B	Able to translate to GFS standard at 4 digits and COFOG.
PI-6	Comprehensiveness of information included in budget documentation	D	B	6 out of 9 documents submitted (PA = 2)
PI-7	Extent of unreported government operations.	D+	D+	M1
i.	Level of unreported government operations	D	D	No change
ii.	Income/expenditure information on donor-funded projects	C	C	No change
PI-8	Transparency of inter-governmental fiscal relations.	D	B+	M2
i.	Transparency and objectivity in the horizontal allocation amongst subnational Governments	D	A	Moved to a more objective rules-based system
ii.	Timeliness and reliable information to SN Governments on their allocations	D	B	Provided with reliable information before final budget proposals
iii.	Extent of consolidation of fiscal data for general government according to sectoral categories	N/A	B	Consolidation into annual reports takes over 10 months

Indicator/Dimension by 2011 PEFA framework		Assessment under the 2011 framework		Explanation / Reasons for change between 2013 and 2019 assessments
		Score in 2013	Score in 2019	
PI-9	Oversight of aggregate fiscal risk from other public sector entities.	C	C	
i.	Extent of central government monitoring of autonomous entities and public enterprises	C	C	No change
ii.	Extent of central government monitoring of SN government's fiscal position	N/A	C	Net fiscal position is monitored but the consolidated overview is missing
PI-10	Public access to key fiscal information	D	B	3 out of 6 documents now made public
PI-11	Orderliness and participation in the annual budget process	C+	B+	
i.	Existence of, and adherence to, a fixed budget calendar	C	B	Budget calendar applied with more time for review. In-year adjustments to budget allocations take place no more than twice in a year and are done in a transparent way.
ii.	Guidance on the preparation of budget submissions	D	B	Budget circular used
iii.	Timely budget approval by the legislature	A	A	No change
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	C+	M2
i.	Multiyear fiscal forecasts and functional allocations	D	C	Fiscal forecasting now takes place
ii.	Scope and frequency of debt sustainability analysis	B	A	Process now formalized.
iii.	Existence of costed sector strategies	D	C	Process now formalized.
iv.	Linkages between investment budgets and forward expenditure estimates	D	D	Future operating commitments not linked to investments
PI-13	Transparency of taxpayer obligations and liabilities	C+	B+	M2
i.	Clarity and comprehensiveness of tax liabilities	C	B	Depends on updated legislation's limit of discretionary power
ii.	Taxpayer access to information on tax liabilities and administrative procedures	B	A	More information is provided to taxpayers
iii.	Existence and functioning of a tax appeal mechanism.	C	B	Set up, functional but early to assess effectivities
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	D+	C	M2
i.	Controls in the taxpayer registration system	D	C	Improvements to segments of taxpayers
ii.	Effectiveness of penalties for non-compliance with registration and declaration obligations	C	C	A number of changes, including amendment of the law. Challenges with enforcement
iii.	Planning and monitoring of tax audit and fraud investigation programs	D	C	Process now formalized.

Indicator/Dimension by 2011 PEFA framework		Assessment under the 2011 framework		Explanation / Reasons for change between 2013 and 2019 assessments
		Score in 2013	Score in 2019	
PI-15	Effectiveness in collection of tax payments	D+	C	M1
i.	Collection ratio for gross tax arrears	D	C	The average debt collection ratio in the two most recent fiscal years was above 60% and the total amount of tax arrears is significant
ii.	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	No change
iii.	Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	C	A	Reconciled within 1 month, twice a year
PI-16	Predictability in the availability of funds for commitment of expenditures	D+	B+	M1
i.	Extent to which cash flows are forecasted and monitored	D	B	Cash forecasting introduced
ii.	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure	A	A	No change
iii.	Frequency and transparency of adjustments to budget allocations above the level of management of MDAs	A	A	No change
PI-17	Recording and management of cash balances, debt and guarantees	C+	B+	M2
i.	Quality of debt data recording and reporting.	C	B	More frequent reporting, quarterly
ii.	Extent of consolidation of the government's cash balances.	C	A	Calculated daily
iii.	Systems for contracting loans and issuance of guarantees.	B	B	No change
PI-18	Effectiveness of payroll controls	D+	B+	M1
i.	Degree of integration and reconciliation between personnel records and payroll data.	D	B	Reconciliation happens even though it's not centralized
ii.	Timeliness of changes to personnel records and the payroll.	B	B	No change
iii.	Internal controls of changes to personnel records and the payroll.	C	B	Authority and basis for changes to personnel records and the payroll are clear.
iv.	Existence of payroll audits to identify control weaknesses and/or ghost workers.	D	A	Payroll audit conducted as part of the annual external audit
PI-19	Competition, value for money and controls in procurement	D	D+	M2
i.	Transparency, comprehensiveness and competition in the legal and regulatory framework.	D	C	Meet 3/6 criteria (2,3,4). PA = 0 or 1
ii.	Use of competitive procurement methods.	D	C	Data now collected. At least 60% awarded.

Indicator/Dimension by 2011 PEFA framework		Assessment under the 2011 framework		Explanation / Reasons for change between 2013 and 2019 assessments
		Score in 2013	Score in 2019	
iii.	Public access to complete, reliable and timely procurement information.	D	C	Data now collected. At least two of the key procurement information elements are complete, 70% of procurement operations (by value) and made available to the public.
iv.	Existence of an independent administrative procurement complaints system.	D	D	The procurement complaints system does not meet criteria (i) & (ii).
PI-20	Effectiveness of internal controls for non-salary expenditure	D+	C+	M1
i.	Effectiveness of expenditure commitment controls	D	C	Cash drawing rights interpreted as sufficient control mechanism
ii.	Comprehensiveness, relevance and understanding of other internal control rules/procedures.	D	C	Financial Rules and Regulations of 2017 provide more clarity
iii.	Degree of compliance with rules for processing and recording transactions	B	B	No change
PI-21	Effectiveness of internal audit	D+	D+	M1
i.	Coverage and quality of the internal audit function.	D	D	No change
ii.	Frequency and distribution of reports	D	D	No change
iii.	Extent of management response to internal audit function.	C	C	No change
PI-22	Timeliness and regularity of accounts reconciliation	C+	C+	M2
i.	Regularity of bank reconciliation	D	C	Improved timing, quarterly within 2 months
ii.	Regularity and clearance of suspense accounts and advances	A	B	Within 2 months
PI-23	Availability of information on resources received by service delivery units	D	B	Information on resources at service delivery units is available
PI-24	Quality and timeliness of in-year budget reports	C	C	M1
i.	Scope of reports in terms of coverage and compatibility with budget estimates.	C	C	Not covered at both commitment and payment stages
ii.	Timeliness of the issue of reports	C	C	Quarterly reports are prepared within 2 months from the end of quarter
iii.	Quality of information	C	C	Data issues not highlighted
PI-25	Quality and timeliness of annual financial statements	D+	C+	M1
i.	Completeness of the financial statements	C	C	No account of assets and liabilities
ii.	Timeliness of submissions of the financial statements	A	A	No change
iii.	Accounting standards used	D	C	Consistent standards are used

Indicator/Dimension by 2011 PEFA framework		Assessment under the 2011 framework		Explanation / Reasons for change between 2013 and 2019 assessments
		Score in 2013	Score in 2019	
PI-26	Scope, nature and follow-up of external audit	C+	C+	M1
i.	Scope/nature of audit performed (including adherence to auditing standards)	C	C	No change, transaction testing
ii.	Timeliness of submission of audit reports to the Legislature	N/A	B	Submission of audit reports. Within 8 months in 2017/18 FY.
iii.	Evidence of follow up on audit recommendations	B	B	No change
PI-27	Legislative scrutiny of the annual budget law	N/A	C+	M1
i.	Scope of the legislature scrutiny	N/A	C	The JPAC now conducts a lengthy review of the Executive's budget proposals. Thorough review of fiscal policies and medium-term projections absent.
ii.	Extent to which the legislature's procedures are well established and respected.	N/A	B	Hluttaw procedures are established and followed
iii.	Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	N/A	A	At least 2 months available for budget review
iv.	Rules for in-year amendments to the budget without ex-ante approval by the legislature	N/A	B	Rules exist and are followed
PI-28	Legislative scrutiny of external audit reports	N/A	B	M1
i.	Timeliness of examination of audit reports by the legislature	N/A	B	Took around 4 and a half months during the last 3 FYs.
ii.	Extent of hearing on key findings undertaken by the legislature	N/A	B	In-depth hearings on key findings take place with responsible officers from the audited entities, representatives of the department, line ministries and MOPFI attend their respective hearings and JPAC sessions.
iii.	Issuance of recommended actions by the legislature and implementation by the executive	N/A	B	Actions are recommended and some are followed-up

Annex 5: Calculation sheet templates for PI-1, PI-2 and PI-3 (MMK in Million)

Calculation Sheet for PI-1, PI-2.1 and PI-2.3, MMK in Million

Fiscal years for assessment						
Year 1 =	2015/16					
Year 2 =	2016/17					
Year 3 =	2017/18					
Data for year =	**2015/16**					
Administrative or functional head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Electric Power & Energy	5,602,810	5,133,722	5,392,195	-258,472	258,472	4.80%
Planning and Finance	3,140,929	2,902,817	3,022,859	-120,042	120,042	4.00%
Defence	2,750,575	3,141,401	2,647,178	494,223	494,223	18.70%
Agriculture, Livestock and Irrigation	1,573,425	1,491,808	1,514,278	-22,470	22,470	1.50%
Education	1,528,508	1,531,019	1,471,049	59,970	59,970	4.10%
Transport & Communication	1,095,686	922,493	1,054,498	-132,006	132,006	12.50%
Health & Sports	776,459	777,728	747,271	30,457	30,457	4.10%
Construction	665,323	402,803	640,312	-237,510	237,510	37.10%
Industry	573,868	458,179	552,296	-94,117	94,117	17.00%
Natural Resource & Environmental Conservation	520,984	602,593	501,400	101,194	101,194	20.20%
Central Bank of Myanmar	284,416	390,840	273,724	117,116	117,116	42.80%
Home Affairs	280,572	332,135	270,025	62,110	62,110	23.00%
Border Affairs	130,408	132,664	125,505	7,159	7,159	5.70%
State Administrative Organizations	117,713	103,666	113,288	-9,622	9,622	8.50%
Nay Pyi Taw Council	71,870	49,798	69,168	-19,370	19,370	28.00%
Foreign Affairs	70,842	69,562	68,179	1,383	1,383	2.00%
Information	70,719	70,133	68,061	2,072	2,072	3.00%
Labour, immigration & Population	52,094	46,469	50,136	-3,667	3,667	7.30%
Nay Pyi Taw City Development Committee	49,804	1,107	47,932	-46,825	46,825	97.70%
Religious and Cultural Affairs	35,585	33,908	34,247	-339	339	1.00%
21 (= sum of rest)	36,937	104,306	35,549	68,757	68,757	193.40%
allocated expenditure	19,429,527	18,699,152	18,699,152	0	1,888,881	
interests	1,084,223	866,575				
contingency	100,000	87,988				
total expenditure	20,613,750	19,653,714				
aggregate outturn (PI-1)						95.3%
composition (PI-2) variance						10.1%
contingency share of budget						0.4%

Data for year =	2016/17					
administrative or functional head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Electric Power & Energy	5,600,577	4,878,347	5,231,917	-353,570	353,570	6.80%
Planning and Finance	3,239,902	3,195,759	3,026,634	169,125	169,125	5.60%
Defence	2,895,117	2,958,882	2,704,544	254,337	254,337	9.40%
Agriculture, Livestock and Irrigation	1,144,566	1,047,860	1,069,224	-21,364	21,364	2.00%
Education	1,630,522	1,611,459	1,523,192	88,266	88,266	5.80%
Transport & Communication	1,147,934	1,094,863	1,072,371	22,493	22,493	2.10%
Health & Sports	850,293	750,621	794,322	-43,701	43,701	5.50%
Construction	500,753	398,248	467,791	-69,543	69,543	14.90%
Industry	532,987	349,782	497,903	-148,121	148,121	29.70%
Natural Resource & Environmental Conservation	389,569	309,008	363,925	-54,917	54,917	15.10%
Central Bank of Myanmar	308,184	381,644	287,897	93,746	93,746	32.60%
Home Affairs	298,818	336,759	279,148	57,611	57,611	20.60%
Border Affairs	111,122	117,894	103,807	14,087	14,087	13.60%
State Administrative Organizations	92,436	70,846	86,351	-15,506	15,506	18.00%
Nay Pyi Taw Council	10,230	38,345	9,557	28,788	28,788	301.20%
Foreign Affairs	50,884	44,807	47,534	-2,727	2,727	5.70%
Information	58,234	54,835	54,400	435	435	0.80%
Labour, immigration & Population	49,043	47,406	45,815	1,592	1,592	3.50%
Nay Pyi Taw City Development Committee	39,424	1,189	36,829	-35,640	35,640	96.80%
Religious and Cultural Affairs	31,651	29,745	29,568	178	178	0.60%
21 (= sum of rest)	42,896	54,502	40,072	14,431	14,431	36.00%
allocated expenditure	19,025,141	17,772,802	17,772,802	0	1,490,179	
interests	1,141,500	1,077,672				
contingency	100,000	90,291				
total expenditure	20,266,641	18,940,765				
aggregate outturn (PI-1)						93.5%
composition (PI-2) variance						8.4%
contingency share of budget						0.4%

Data for year =	2017/18					
administrative or functional head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Electric Power & Energy	5,160,944	5,192,951	4,926,524	266,427	266,427	5.41%
Planning and Finance	3,787,190	3102791	3615168	-512377	512377	14.17%
Defence	2,910,748	3187144	2778537	408607	408607	14.71%
Agriculture, Livestock and Irrigation	1,091,968	838402	1042369	-203967	203967	19.57%
Education	1,755,330	1651164	1675600	-24436	24436	1.46%
Transport & Communication	1,084,311	1027030	1035059	-8029	8029	0.78%
Health & Sports	1,075,510	853626	1026658	-173033	173033	16.85%
Construction	493,784	445988	471356	-25368	25368	5.38%
Industry	363,716	413676	347195	66481	66481	19.15%
Natural Resource & Environmental Conservation	338,947	395308	323551	71757	71757	22.18%
Central Bank of Myanmar	345,813	459529	330106	129423	129423	39.21%
Home Affairs	395,585	359316	377617	-18301	18301	4.85%
Border Affairs	107,603	107983	102715	5268	5268	5.13%
State Administrative Organizations	86,014	72458	82107	-9648	9648	11.75%
Nay Pyi Taw Council	26,167	32333	24978	7355	7355	29.45%
Foreign Affairs	57,193	53351	54595	-1244	1244	2.28%
Information	60,040	70040	57313	12727	12727	22.21%
Labour, immigration & Population	51,366	51963	49033	2930	2930	5.98%
Nay Pyi Taw City Development Committee	39,675	33470	37873	-4403	4403	11.63%
Religious and Cultural Affairs	28,321	29010	27035	1976	1976	7.31%
21 (= sum of rest)	79,607	83845	75991	7854	7854	10.34%
allocated expenditure	19,339,830	18,461,379	18,461,379	0	1,961,611	
interest	1,154,335	1,629,509				
contingency	100,000	91,203				
total expenditure	20,594,165	20,182,090				
aggregate outturn (PI-1)						98.0%
composition (PI-2) variance						10.6%
contingency share of budget						0.4%

Table 5 - Results Matrix

	for PI-1.1	**for PI-2.1**	**for PI-2.3**
year	**total exp. Outturn**	**composition variance**	**contingency share**
2015/16	**95.3%**	**10.1%**	
2016/17	**93.5%**	**8.4%**	**0.4%**
2017/18	**98.0%**	**10.6%**	

Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2, MMK in Million

Fiscal years for assessment

Year 1 =	**2015/16**
Year 2 =	**2016/17**
Year 3 =	**2017/18**

Data for year = 2015/16

Economic head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Compensation of Employees	1,916,280	1,911,024	1,827,721	83,302	83,302	4.60%
Use of goods and Services	8,829,610	8,777,282	8,421,558	355,724	355,724	4.20%
Interest Payment	1,085,450	866,575	1,035,287	-168,712	168,712	16.30%
Grant (contribution)	2,118,794	1,948,946	2,020,876	-71,929	71,929	3.60%
Pension	798,277	663,807	761,385	-97,578	97,578	12.80%
Other current expense	13,536	12,234	12,910	-676	676	5.20%
Capital expenditure	5,059,397	4,653,007	4,825,581	-172,575	172,575	3.60%
Financial Expenditure	692,407	732,853	660,408	72,445	72,445	11.00%
Total expenditure	20,513,750	19,565,726	19,565,726	0	1,022,942	
composition variance						**5.2%**

Data for year = 2016/17

Economic head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Compensation of Employees	1,987,002	1,982,524	1,857,321	125,203	125,203	6.70%
Use of goods and Services	9,106,475	8,632,092	8,512,145	119,947	119,947	1.40%
Interest Payment	1,141,571	1,077,672	1,067,067	10,604	10,604	1.00%
Grant (contribution)	2,111,839	1,963,369	1,974,010	-10,642	10,642	0.50%
Pension	835,231	696,727	780,720	-83,993	83,993	10.80%
Other current expense	9,653	4,696	9,023	-4,327	4,327	48.00%
Capital expenditure	4,453,656	3,947,300	4,162,990	-215,690	215,690	5.20%
Financial Expenditure	521,213	546,093	487,197	58,897	58,897	12.10%
Total expenditure	20,166,641	18,850,474	18,850,474	0	629,303	
composition variance						**3.3%**

Data for year = 2017/18

Economic head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Compensation of Employees	2,109,279	2,829,986	2,067,774	762,213	762,213	36.86%
Use of goods and Services	8,956,228	8,091,085	8,779,990	-688,905	688,905	7.85%
Interest Payment	1,154,334	1,629,509	1,131,620	497,889	497,889	44.00%
Grant (contribution)	2,368,520	1,882,308	2,321,913	-439,604	439,604	18.93%
Pension	810,577	725,118	794,627	-69,509	69,509	8.75%
Other current expense	12,150	238,080	11,911	226,170	226,170	1898.91%
Capital expenditure	4,487,776	3,978,324	4,399,467	-421,144	421,144	9.57%
Financial Expenditure	595,301	716,477	583,587	132,890	132,890	22.77%
Total expenditure	20,494,165	20,090,887	20,090,887	0	3,238,323	
composition variance						**16.1%**

Results Matrix	year	composition variance
	2015/16	**5.2%**
	2016/17	**3.3%**
	2017/18	**16.1%**

Calculation Sheet for Revenue composition outturn, MMK in Million

Fiscal years for assessment

Year 1 =	**2015/16**
Year 2 =	**2016/17**
Year 3 =	**2017/18**

Data for year = **2015/16**

Economic head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
		Tax revenues				
Tax Levied on Inland Productions and public consumption	2,579,993	2,591,331	2,519,121	72,210	72,210	2.9%
Tax Levied on Income and Ownership	2,135,435	2,326,400	2,085,052	241,348	241,348	11.6%
Customs Duty	375,000	467,242	366,152	101,090	101,090	27.6%
Taxes on Levied on Utility of State-Owned properties	857,947	929,761	837,705	92,056	92,056	11.0%
Property tax and Wheel tax by NPTDC	330	740	322	418	418	129.8%
Tax by Cantonment Municipalities	3	6	3	3	3	116.2%
		Contributions and Grants				
SEE Contribution	698,051	801,865	681,581	120,283	120,283	17.6%
Other Receipts (Other + grant by state)	8,314,554	8,020,239	8,118,382	-98,143	98,143	1.2%
Grants / Aid	344,925	305,661	336,787	-31,126	31,126	9.2%
		Other revenue				
Interest Receipts	76,968	64,217	75,152	-10,936	10,936	14.6%
Other Capital Revenue	205,353	202,142	200,508	1,634	1,634	0.8%
Financial Revenue	1,411,491	889,352	1,378,189	-488,837	488,837	35.5%
Total revenue	17,000,051	16,598,955	16,598,955	0	1,258,083	
overall variance						97.6%
composition variance						7.6%

Data for year =	2016/17					
Economic head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
		Tax revenues				
Tax Levied on Inland Productions and public consumption	2,486,940	3,331,816	2,485,575	846,241	846,241	34.0%
Tax Levied on Income and Ownership	2,370,435	2,323,669	2,369,134	-45,465	45,465	1.9%
Customs Duty	475,000	480,187	474,739	5,448	5,448	1.1%
Taxes on Levied on Utility of State-Owned properties	887,384	986,759	886,897	99,861	99,861	11.3%
Property tax and Wheel tax by NPTDC	492	936	492	444	444	90.2%
Tax by Cantonment Municipalities	6	6	6	0	0	7.0%
		Contributions and Grants				
SEE Contribution	572,089	629,776	571,775	58,001	58,001	10.1%
Other Receipts (Other + grant by state)	8,301,233	8,064,854	8,296,678	-231,824	231,824	2.8%
Grants / Aid	338,735	292,436	338,549	-46,113	46,113	13.6%
		Other revenue				
Interest Receipts	79,046	65,963	79,003	-13,040	13,040	16.5%
Other Capital Revenue	4,962	70,992	4,959	66,032	66,032	1331.5 %
Financial Revenue	1,462,668	722,282	1,461,866	-739,584	739,584	50.6%
Total revenue	16,978,992	16,969,675	16,969,675	0	2,152,054	
overall variance						99.9%
composition variance						12.7%

Data for year =	2017/18					
Economic head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
		Tax revenues				
Tax Levied on Inland Productions and public consumption	2,712,667	3,619,626	2,909,842	709,784	709,784	24.4%
Tax Levied on Income and Ownership	2,382,000	2,263,720	2,555,140	(291,419)	291,419	11.4%
Customs Duty	490,000	523,799	525,616	(1,818)	1,818	0.3%
Taxes on Levied on Utility of State-Owned properties	896,342	1,016,580	961,494	55,086	55,086	5.7%
Property tax and Wheel tax by NPTDC	542	975	582	394	394	67.7%
Tax by Cantonment Municipalities	6	5	6	(1)	1	16.7%
		Contributions and Grants				
SEE Contribution	511,610	729,132	548,797	180,335	180,335	32.9%
Other Receipts (Other + grant by state)	7,005,812	8,327,079	7,515,041	812,038	812,038	10.8%
Grants / Aid	618,924	237,498	663,912	-426,414	426,414	64.2%
		Other revenue				
Interest Receipts	71,644	124,795	76,852	47,943	47,943	62.4%
Other Capital Revenue	33,269	32,026	35,687	(3,661)	3,661	10.3%
Financial Revenue	1,881,780	936,294	2,018,560	(1,082,266)	1,082,266	53.6%
Total revenue	16,604,597	17,811,530	17,811,530	(0)	3,611,160	
overall variance						107.3%
composition variance						20.3%

Results Matrix	year	total revenue deviation	composition variance
	2015/16	97.6%	7.6%
	2016/17	99.9%	12.7%
	2017/18	107.3%	20.3%

Annex 6A: 2019 Government of the Union of Myanmar PEFA Steering Committee[62]

Sr. No	Position/Ministry/Department	Responsibility
1	Deputy Minister, Ministry of Planning, Finance and Industry	Chair
2	Deputy Governor, Central Bank of Myanmar	Deputy Chair
3	Permanent Secretary, Joint Public Account Committee, Pyidaungsu Hluttaw	Member
4	Permanent Secretary, Ministry of Planning, Finance and Industry	Member
5	Permanent Secretary, Office of the Auditor-General of the Union	Member
6	Director General, Irrigation and Water Utilization Management Department, Ministry of Agriculture, Livestock and Irrigation	Member
7	Director General, Department of Electric Power and Planning, Ministry of Electricity and Energy	Member
8	Director General, Department of Electric Power Transmission and System Control, Ministry of Electricity and Energy	Member
9	Managing Director, Electric Power Generation Enterprise, Ministry of Electricity and Energy	Member
10	Managing Director, Electricity Supply Enterprise, Ministry of Electricity and Energy	Member
11	Director General, Oil and Gas Planning Department, Ministry of Electricity and Energy	Member
12	Director General, Department of Basic Education, Ministry of Education	Member
13	Director General, Department of Higher Education, Ministry of Education	Member
14	Director General, Department of Public Health, Ministry of Health and Sports	Member
15	Director General, Department of Medical Services, Ministry of Health and Sports	Member
16	Director General, Planning Department, Ministry of Planning, Finance and Industry	Member
17	Director General, Project Appraisal and Progress Reporting Department, Ministry of Planning, Finance and Industry	Member
18	Director General, Central Statistical Organization, Ministry of Planning, Finance and Industry	Member
19	Director General, Treasury Department, Ministry of Planning, Finance and Industry	Member
20	Director General, Internal Revenue Department, Ministry of Planning, Finance and Industry	Member
21	Director General, Customs Department, Ministry of Planning, Finance and Industry	Member
22	Managing Director, Myanma Economic Bank, Ministry of Planning, Finance and Industry	Member
23	Deputy Permanent Secretary, Union Minister's Office (Environmental and Forestry Affairs), Ministry of Natural Resources and Environmental Conservation	Member
24	Deputy Permanent Secretary, Union Minister's Office (Mining Affair), Ministry of Natural Resources and Environmental Conservation	Member
25	Director General, Budget Department, Ministry of Planning, Finance and Industry	Secretary
26	Deputy Director General, Budget Department, Ministry of Planning, Finance and Industry	Co Secretary

62 Announcement for PEFA Steering Committee and Technical Committee officially assigned (dated 8th January 2019 from MOPFI) by Permanent Secretary, MOPFI

Annex 6B: 2019 Government of the Union of Myanmar PEFA Technical Committee[63]

Sr. No	Position/Ministry/Department	Responsibility
1	Director General, Budget Department, Ministry of Planning, Finance and Industry	Chair
2	Deputy Director General, Budget Department, Ministry of Planning, Finance and Industry	Deputy Chair
3	Director, Joint Public Account Committee	Member
4	Director, Central Bank of Myanmar	Member
5	Director, Office of the Auditor-General of the Union	Member
6	Director, Irrigation and Water Utilization Management Department, Ministry of Agriculture, Livestock and Irrigation	Member
7	Assistant Secretary, Internal Audit and Financial Unit (Environmental and Forestry Affair), Ministry of Natural Resources and Environmental Conservation	Member
8	Assistant Secretary, Internal Audit and Financial Unit (Mining Affair), Ministry of Natural Resources and Environmental Conservation	Member
9	Director, Department of Electric Power and Planning, Ministry of Electricity and Energy	Member
10	Director (Finance), Department of Electric Power Transmission and System Control, Ministry of Electricity and Energy	Member
11	Deputy Director (Finance), Electric Power Generation Enterprise, Ministry of Electricity and Energy	Member
12	Deputy General Manager, Electricity Supply Enterprise, Ministry of Electricity and Energy	Member
13	Director, (Planning and Economics Management Unit, Oil and Gas Planning Department, Ministry of Electricity and Energy	Member
14	Director, Department of Basic Education, Ministry of Education	Member
15	Director, Department of Higher Education, Ministry of Education	Member
16	Director, Department of Public Health, Ministry of Health and Sports	Member
17	Director, Department of Medical Services, Ministry of Health and Sports	Member
18	Director, Planning Department, Ministry of Planning, Finance and Industry	Member
19	Director, Project Appraisal and Progress Reporting Department, MOPFI	Member
20	Director, Central Statistical Organization, Ministry of Planning, Finance and Industry	Member
21	Director, Ministry and Department Budget Division -1, Budget Department, MOPFI	Member
22	Director, Ministry and Department Budget Division -2, Budget Department, MOPFI	Member
23	Director, State Economics Enterprise Budget Division, Budget Department, MOPFI	Member
24	Director, Administrative and Account Division, Budget Department, MOPFI	Member
25	Director, Intergovernmental Fiscal Relation Division, Budget Department, MOPFI	Member
26	Director, Services Rules, Financial Rules and Regulations Division, Budget Department, MOPFI	Member
27	Director, Yangon Region, Budget Department, Ministry of Planning, Finance and Industry	Member
28	Director, Treasury Department, Ministry of Planning, Finance and Industry	Member
29	Director, Internal Revenue Department, Ministry of Planning, Finance and Industry	Member
30	Director, Myanmar Customs Department, Ministry of Planning, Finance and Industry	Member
31	Deputy General Manager, Myanma Economic Bank, Ministry of Planning, Finance and Industry	Member
32	Director, Training, Research and ICT Division, Budget Department, Ministry of Planning, Finance and Industry	Secretary

63 Announcement for PEFA Steering Committee and Technical Committee officially assigned (dated 8th January 2019 from MOPFI) by Permanent Secretary, MOPFI

Annex 6C: 2019 Government of the Union of Myanmar PEFA Working Group, Budget Department, MOPFI

Sr. No	Position	Department
1	Assistant Director	Ministry and Department Budget Division -1
2	Assistant Director	Ministry and Department Budget Division -1
3	Assistant Director	Ministry and Department Budget Division -2
4	Assistant Director	Ministry and Department Budget Division -2
5	Assistant Director	State Economics Enterprise Budget Division
6	Assistant Director	State Economics Enterprise Budget Division
7	Assistant Director	Administrative and Account Division
8	Assistant Director	Intergovernmental Fiscal Relation Division
9	Assistant Director	Intergovernmental Fiscal Relation Division
10	Assistant Director	Services Rules, Financial Rules and Regulations Division
11	Assistant Director	Services Rules, Financial Rules and Regulations Division
12	Assistant Director	Training, Research and ICT Division
13	Staff Officer	Training, Research and ICT Division

Annex 7: Gender Responsiveness of Myanmar's Public Financial Management Systems

Practice or tool	Relevance to GRB	Related PEFA indicator(s)	Question to be addressed	Position
BUDGET PREPARATION AND ADOPTION During the phase, the executive branch compiles the budget plan and the legislature debates, alters, and approves it.				
Legal framework	A framework of rules and procedures for promoting gender responsive budgeting ensures that spending ministries and agencies are briefed on the legal and administrative procedures to be followed in implementing GRB.	PI-17. Budget preparation process	Does the legal framework for public finance and budgeting include specific provisions related to gender issues or gender responsive budgeting?	There is a legal framework for public finance and budgeting, but gender issues or gender responsive budgeting is not included.
Fiscal strategy	Government's tool to clearly articulate to central government units, the legislature, and the public its fiscal policy objectives, including specific quantitative and qualitative fiscal targets and constraints. Provides a framework against which the fiscal impact of revenue and expenditure policy proposals, including on gender and gender equality, can be assessed during the annual budget preparation process.	PI-15. Fiscal strategy	Does the government's fiscal strategy include qualitative or quantitative policy objectives to promote gender equality, and girls and women's empowerment?	In financial year 2018/19 the Citizen Budget, gender-based budget per programmes statement is presented under the Ministry of Social Welfare, Relief and Resettlement Myanmar's budget and program included qualitative or quantitative policy objectives. For example, Child-sensitive social protection by age and gender-specific. However, this was the only Ministry to do so.
Gender budget statement	A strategic tool to implement gender responsive policies by allocating adequate resources to reach strategic goals on gender equality and women's empowerment and measuring impact and results. Provides a report from particular ministry or the whole of government on how policies, programs, are related budgets fulfil the government's gender equality objectives.	PI-5. Budget documentation	Does the government produce a gender budget statement, a gender-specific accountability document (a clear statement of gender-related objectives), produced by a government agency to show what its policies, programs, and budgets are achieving with respect to gender equality and women's empowerment?	The government does not produce a gender budget statement or a gender-specific accountability document But Ministry of Social Welfare, Relief and Resettlement Myanmar produced a Myanmar national social protection plan in 2014 and some gender- specific plans were included.
		PI-9 Public access to fiscal information	Does the public have access to the gender budget statement before/after the budget has been approved?	Not yet.

Practice or tool	Relevance to GRB	Related PEFA indicator(s)	Question to be addressed	Position
Ex ante gender impact assessment	Ex ante evaluation, analysis, or assessment of a policy or a program, funded through the budget, to understand the envisaged impact of budget and fiscal policies on individuals disaggregated by gender and on gender equality and women's empowerment. The aim is to improve the design and the planning of the policy under consideration, in order to prevent a negative impact on gender equality and to strengthen gender equality through better designed, transformative policies and programs.	PI-5. Budget documentation	Does the budget documentation include a report on the impacts of budget and fiscal policies by gender and on gender equality?	Not yet.
		PI-15 Fiscal strategy	Do policy proposals include an assessment of the impacts on gender equality?	Not yet.
		PI-9. Public access to fiscal information	Is the report on the ex-ante impact of budget and fiscal policies by gender and on gender equality publicly available?	Not yet.
		PI-11. Public investment management	Do major public investment proposals submitted to government include an analysis of gender impacts?	Not yet.
			Do major public investment project selection criteria require an analysis of direct and indirect impact on men/ women and on gender equality?	Not yet.
		PI-17. Budget preparation process	Does the government occasionally or systematically carry out gender impact assessment of new government policy initiatives?	Not yet.
Budget circular	Instructs ministries and other budgetary units on how to complete their budget submissions for the forthcoming year; the circular may require that gender be reported in budget submissions and discussed during negotiations; or the circular needs to include gender relevant indicators, provide gender disaggregated data or request specific budgetary allocations for gender-related program or projects?	PI-17. Budget preparation process	Does the budget circular include information or guidance on the application of gender responsive budgeting?	Not yet.

Practice or tool	Relevance to GRB	Related PEFA indicator(s)	Question to be addressed	Position
Performance framework	Promotes the inclusion of performance information within budgetary documentation and strengthens the accountability of the executive for the planned and achieved outputs and outcomes of government program and services. Gender disaggregated data and information is considered crucial for policy makers to be able to assess and develop appropriate, evidence-based responses, and policies.	PI-8. Performance information for service delivery	Do performance plans for service delivery include gender equality objectives and performance indicators (i.e., outputs and outcomes disaggregated by gender and gender equality related)?	Not yet.
			Do reports on performance achieved for service delivery include gender disaggregated data and report on gender equality outputs and outcomes?	Not yet.
		PI-4. Budget classification	Does the government budget classification and chart of accounts system include a specific classification element to facilitate monitoring of the degree to which gender equality objectives are being achieved?	Not yet.
Legislative scrutiny of budget	As the government's authority to spend is awarded by the legislature it is important that the review of budget document includes the analysis of government's policies on gender and gender equality.	PI-18. Legislative scrutiny of budgets	Does the legislature's review of the budget submission cover gender policies and/ or gender equality impact of the budget proposal?	Not yet.
BUDGET EXECUTION During the phase, the government implements the policies planned in the budget and monitors and controls the execution.				
Revenue administration	Revenue policy and administration is a key lever for government in delivering overall public policy objectives and can therefore help or hinder the degree to which government intervention in society support the objective of gender equality.	PI-19. Revenue administration	Does the government's analysis of the impact of direct and indirect taxes includes analysis of gender impact?	Not yet.

Practice or tool	Relevance to GRB	Related PEFA indicator(s)	Question to be addressed	Position
Procurement	Significant public spending takes place through the public procurement system. Inclusion of gender disaggregated data provides platform for discussion on the role of different genders in the society and their opportunities to be involved in different aspect of social engagements.	PI-24. Procurement	Is information available on the number of contracts awarded to men/ women?	Not yet.
			Does the government include gender equality in the contracting terms and conditions?	Not yet.
Internal control and audit	Internal control assesses the existence of the segregation of duties which is fundamental in preventing errors or fraud. The wage bill is usually one of the biggest items of government expenditure and susceptible to weak control. Inclusion of gender disaggregated data provides important inputs to the analysis of the role of men/women and gender equality. Internal audit provides regular and adequate feedback to management on the performance of the internal control system. Internal audits can provide important information on regulations and procedures on gender equality as well as examine compliance, efficiency, and effectiveness of gender related policies.	PI-23. Payroll controls	Is gender disaggregated data available on personnel records including grade and/ or on payroll data?	Not yet
		PI-26. Internal audit	Do internal audits include coverage of regulations and procedures relating to gender equity including equal opportunity, sexual harassment, efficiency and effectiveness of gender equality related policies, etc.?	Not yet.
Budget execution reports	Annual budgetary central government financial reports are critical for accountability and transparency in the PFM system. Production of reports that include gender specific data is key in facilitating gender equality policy and spending debates and decisions.	PI-29. Annual financial reports	Do annual financial reports include information on gender-related expenditures or tax policies?	Not yet
		PI-10. Fiscal risk reporting	Do annual reports of public corporations include gender specific data on senior management and boards of directors?	Not yet.

Practice or tool	Relevance to GRB	Related PEFA indicator(s)	Question to be addressed	Position
SCRUTINY AND AUDIT During the phase, the government, national audit institution, and legislature assess budget expenditures and outcomes.				
Ex post gender impact assessment	Ex post evaluation, analysis, or assessment of a policy or a program, funded through the budget, to understand the impact of budget and fiscal policies on individuals disaggregated by gender.	PI-8. Performance information for service delivery	Does the government occasionally or systematically perform performance evaluations that include an analysis of impact of service delivery by gender and on gender equality?	Not yet.
External audit	After the budget has been executed, ex post evaluations or audits of the impact and effectiveness of gender-related policies are undertaken to appraise those policies and their impact.	PI-8. Performance information for service delivery	Does the national audit office publish reports on a regular basis that analyse the ex post impact of budget or tax policy decisions on gender equality?	Not yet.
		PI-9. Public access to fiscal information	Is the report on the ex post impacts of budget and fiscal policies by gender and on gender equality publicly available?	Not yet.
Legislative scrutiny of audit reports	The legislature has a key role in not only authorizing the budget but also scrutinizing the execution of the budget that it approved. As a result, the legislature would be interested in the implementation and impact of policies on gender equality.	PI-31. Legislative scrutiny of audit reports	Does the legislature conduct any hearings or publish any reports on a regular basis that discuss the impacts of the budget or tax policy decisions on gender equality?	Not yet.

Annex 8: The Public Finance Management Reform Phase II Implementation Plan

Result Area 1: Consolidating PFM Performance Gains

- Tax administration reforms: (1) Implementation of ITAS and establishment of a Unit in HQ to proactively manage corruption for Tax administration (2) Support to improve revenue audit and investigation and relate to complex tax regulations, tax exemption, a narrow tax base with a limited number of taxpayers filing returns, a relatively low compliance rate, low capacity in terms of IT systems and human resources, and a lack of effectiveness in the overall risk management approach
- Successful implementation of core banking solution Core Banking System implementation at MEB 239 branches for timely reporting and integrated tax administration system
- Budget execution and Treasury reforms: (1) To support the strengthening capacity to develop and implement a clear fiscal strategy, (2) to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals, (3) To support the linkage between the medium-term planning process and the annual budgeting process represents a challenge for the reliability and effectiveness of the budget formulation process MTEF and (4) Decentralization
- Treasury reforms: Setting up of a Treasury Automation System for improving financial reporting
- Improving external oversight and accountability

Result area 2: Improving public financial management and procurement systems for better services and accountability

- Strengthening Public Investments Management: Set up guidelines and criteria for the improvement of the economic appraisal process, selection, costing, and monitoring of public investment projects by the government
- Strengthening public assets monitoring and the monitoring of financial risks: Additional areas for improvement are related to maintain a register of its holdings of fixed assets, land, and (where relevant) subsoil assets, including information on their usage and age, which is published at least annually
- 2nd Generation of accounting and Treasury reforms: Modified Cash/Accrual Accounting (IPSAS Compliance)
- Procurement reforms: the predictability and control in budget execution on more strengthening in procurement management
- Strengthening the internal auditing framework; performance of auditing in accordance with ISSAI and develop IT audit at OAG

Result Area 3: Modernizing ICT in MOPFI to improve governance and public financial services

- ICT Strategy development and implementation
- IFMIS
- Leveraging ICTs to improve PF services (e-collections and e-payments, pensions, payroll) and program monitoring
- Pension Reforms

Result Area 4: Improving governance of SEEs

- Improving the corporate governance and performance of SEEs delivering key public services
- Improving accounting and financial reporting systems of SEEs
- Transparency of financial situation

Cross cutting theme:

- Institutional Strengthening: Public Finance Management Academy
- Policy notes and advisory services related to PFM reforms and inputs to implementation manuals and guidelines
- Training materials
- Provision of trainers for face-to-face and on-the-job training
- Sharing of international good practice examples and facilitation of knowledge-sharing activities
- Capacity building, and
- Change management

Annex 9: Union Level State – owned Economic Enterprises (SEEs)[64]

1) Operating Outside the Union Budget (i.e. all operations self-financing)

1. Myanma Port Authority
2. Myanmar Shipyard
3. Myanmar National Airlines
4. Yangon Electricity Supply Corporation
5. Mandalay Electricity Supply Corporation

2) Union Budget only funds expenditure (they have other accounts and operate with their own funds)

6. News and Periodicals Enterprise
7. Myanmar Posts and Telecommunications
8. Myanmar Timber Enterprise
9. No. (1) Mining Enterprise
10. No. (2) Mining Enterprise
11. Myanmar Gems Enterprise
12. Myanmar Pearl Enterprise
13. Myanmar Oil and Gas Enterprise

3) Union Budget funds recurrent expenditure (i.e. salaries, wages, pension costs, interest on foreign loans), capital expenditure and financial expenditure (They have OAs while also spending Union funds)

14. Myanma Railways
15. Road Transport
16. Myanma Post
17. Electricity Supply Enterprise
18. Myanma Petrochemical Enterprise
19. Myanma Petroleum Products Enterprise
20. No. (1) Heavy Industrial Enterprise
21. No. (2) Heavy Industrial Enterprise
22. No. (3) Heavy Industrial Enterprise
23. Myanma Pharmaceutical Enterprise

4) Union Budget funds recurrent expenditure (i.e. 50% of raw materials, manufacturing and operating costs, commercial tax, income tax and contribution to the Union and 100% of all other recurrent expenditure), capital expenditure and financial expenditure[65]

24. Inland Water Transport
25. Electric Power Generation Enterprise

64 Myanmar Citizen's Budget 2017-2018 and Myanmar Fiscal Data Summary according to Myanmar Accounting Method and Myanmar Fiscal data according to IMF's Government Finance Statistics Analytical Method (MoPF 2018-March).

65 If their own funds are insufficient, they can borrow short term working capital loans from State Owned Banks @4%. The interest and principal needs to be repaid at the end of each fiscal year.

5) Financial Sector SEEs

26. Myanma Economic Bank
27. Myanma Investment and Commercial Bank
28. Myanma Foreign Trade Bank
29. Myanma Agricultural Development Bank
30. Myanma Insurance
31. Security Printing Works

6) Central Bank of Myanmar

32. Central Bank of Myanmar.

The World Bank, Myanmar
Level 21, Sule Square
221, Sule Pagoda Road,
Kyauktada Township, Yangon 11182
The Republic of the Union of Myanmar
www.worldbank.org/myanmar
www.facebook.com/
myanmar@worldbank.org