What's in the Wallet?
Public Money in Myanmar's states and regions

Budget Brief Series: country overview

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Focus and approach

The Renaissance Institute (RI) developed this report as part of its efforts to support Myanmar's public finance reforms. The brief is based on nearly two years of intensive and ongoing engagement with budget departments across Myanmar. It contributes to RI's budget brief series, which aims to build a better understanding of sub-national finance, by summarizing findings from direct interactions with government officials and collected data throughout RI's support to sub-national governments.

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Background: Myanmar has taken steps to transition from a centralized to a decentralized system of government based on the 2008 Constitution, which established 14 sub-national governments (seven states and seven regions). Sub-national institutions have some devolved political authority with a range of finance and administrative functions. The new sub-national governments (SNGs) and sub-national institutions are playing an increasingly prominent role in spending and managing of public finance, the delivery of services and ultimately economic growth.

A path to better governance of these new institutions will have to address their public financial management (PFM). Systems underpinning the management of public funds are crucial to how decisions are made about essential services and infrastructure that citizens use in their daily life: which roads are built, or how waste is collected. These are all fiscal policy choices that require institutions to support their implementation. PFM revolves around how fiscal institutions work and will be essential to emerging sub-national institutions in Myanmar's states and regions.

Objective: This report aims to provide an overview of Myanmar's sub-national public finance management. It focuses on sub-national budgets as the most important local policy document. It also touches on broader PFM institutions, to suggest areas for further examination and highlight the significance of cash management, accounting practices, fiscal risks and intergovernmental relations. PFM is also critical for oversight mechanisms and transparency. Good PFM contributes to building trust, makes the government ultimately accountable for its actions and choices. Citizens, firms, and investors all want to know whether public money is used effectively and in line with the goals and priorities that the society has set. Modern PFM is very much related to fiscal reporting requirements, transparency standards, and the availability of information available to the public in an accessible and meaningful way. The main outcome is that it contributes to building trust between the government and other economic players, to create a favorable setting for productive, efficient, and inclusive economic activities. This reflects the spirit of this document to shed light on issues related to management of public money, how it's used and collected.

Summary: The sub-national governments in Myanmar are playing an increasingly larger role in general government finance. Their share of public sector spending has increased from around 6 percent in 2012-13 to almost 12 percent in 2017-18. A relatively large share of this spending is used for capital investments.

Intergovernmental fiscal transfers play a crucial role in state/region finance, not least because they finance the majority of local budgets. Recent changes to a more rules-based system have also had impact on transparency of local financing, macro-sustainability and clearer expectations of available resources. Going forward, they may yet offer a deeper scope as a policy tool for the Union Government.

Collection of own-source revenue is concentrated in Yangon and Mandalay, where they finance nearly half of their budgets, a contrast to around only 10 percent of budgets in 12 other states/regions. Eight sub-national taxes play a relatively small part in local budgets with collection fragmented across 4 different ministries. On the other hand, non-tax revenue accounts for the majority of own-source revenue. The exact nature of non-tax receipts is blurred by transparency standards and budget accounting practices.

Sub-national governments have made progress in improving public access to key fiscal information. However, there is room for more significant progress, in both catching up with the Union Government practices and introducing other transparency initiatives. The quality of public information is weakened by inconsistent accounting classification, particularly around capital investments. This in turn limits control over the quality of expenditure and general fiscal oversight.

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Acronyms

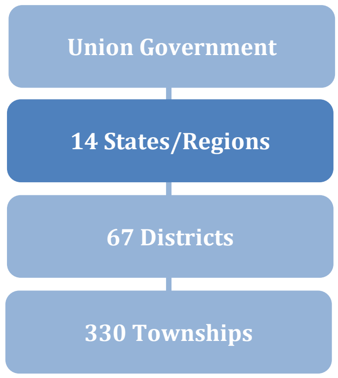
BE	Budget Estimate
BOT	Build-Operate-Transfer
CDF	Constituency Development Fund
DOH	Department of Highways
DRRD	Department of Rural Roads Development
FA	Fund Account
FY	Fiscal Year
GAD	General Administration Department
GDP	Gross Domestic Product
GRF	General Reserve Fund
IMF	International Monetary Fund
IRD	Internal Revenue Department
JICA	Japan International Cooperation Agency
LTO	Large Taxpayers Office
MCDC	Mandalay City Development Committee
MEB	Myanma Economic Bank
MOC	Ministry of Construction
MOPF	Ministry of Planning and Finance
MTFF	Medium-Term Fiscal Framework
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OMI	Open Myanmar Initiative
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PPP	Public-private partnership
SAA	Self-administered Areas
SEE	State Economic Enterprises
SOE	State Owned Enterprises
SNG	Sub-national government
YCDC	Yangon City Development Committee
UCLG	United Cities and Local Governments
USD	United States Dollar

Background

1. **Myanmar has taken steps to transition from a centralized to a more decentralized system of government based on the 2008 Constitution.** In a departure from a highly centralized structure, 14 sub-national governments (seven states and seven regions) were established, with partially elected parliaments *(Figure 1)*.[1] In addition to their devolved political authority, a range of finance and administrative functions were ceded to this newly minted level of government. Overall, the sub-national governments (SNGs) are playing an increasingly prominent role in the management and spending of public finance and the delivery of services.

2. **This report focuses on public financial management of the 14 sub-national governments.**[2] It summarizes composition of sub-national budgets, namely: what local receipts help fund sub-national budgets; on what basis are central fiscal transfers utilized to close fiscal gaps; overview of what administrative units manage said funds. It also provides a brief overview of the management of public funds, transparency, cash management, and fiscal risks. Although districts and townships play an important role in influencing the quality of public financial management throughout the budget cycle, their detailed examination is beyond the scope of this report.

Figure 1: Government hierarchy



3. **Administrative units in sub-national budgets**: sub-national spending and receipts are managed by departments within the Union line ministries. The sole exception to this are Municipal level offices, Development Affairs Organizations (DAOs) and City Development Committees in Yangon and Mandalay (YCDC and MCDC), which do not have a Union level ministry and occupy a unique position in an otherwise highly centralized state. Although not recognized as a formal level of government, municipal offices play an important role in the generation of sub-national revenue and service provision (for the summary of administrative units on sub-national budgets, see appendix). Budget department offices in each state and region play a key role, providing horizontal and vertical coordination during the preparation stage of the budget cycle, as well as a degree of oversight and reporting throughout the budget cycle.

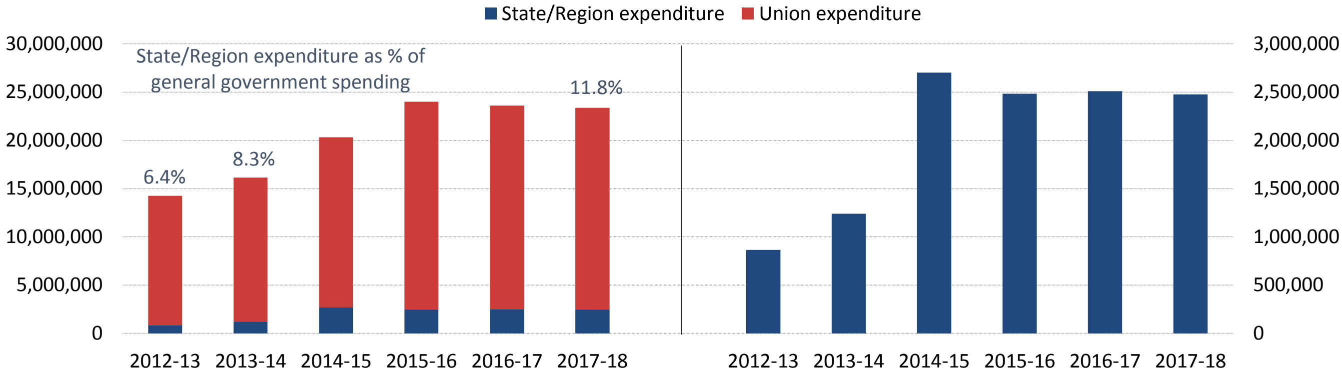
[1] States and regions form a second-tier government and are constitutionally equivalent. Regions have been historically populated by an ethnic Bamar majority. States are recognized for their ethnic minority dominated populations. Seven states are Chin, Kachin, Kayah, Kayin, Mon, Rakhine and Shan. Seven regions are Ayeyarwaddy, Bago, Magwe, Mandalay, Sagaing, Tanintharyi and Yangon.

[2] Self-administered areas (SAA) and Union territory of Nay Pyi Taw are not explored in the report.

A. Aggregate picture and fiscal developments

4. **State and region government budgeted expenditure has grown significantly since the 2012-13 FY.** Expenditure has nearly tripled since first enacted budgets in 2012-13, increasing from 864,122 million Kyat to 2,474,942 million Kyat between 2012-13 and 2017-18 fiscal years. As a proportion of general government spending, sub-national spending increased from around 6 percent in 2012-13 to nearly 12 percent in 2017-18 *(Figure 2)*.

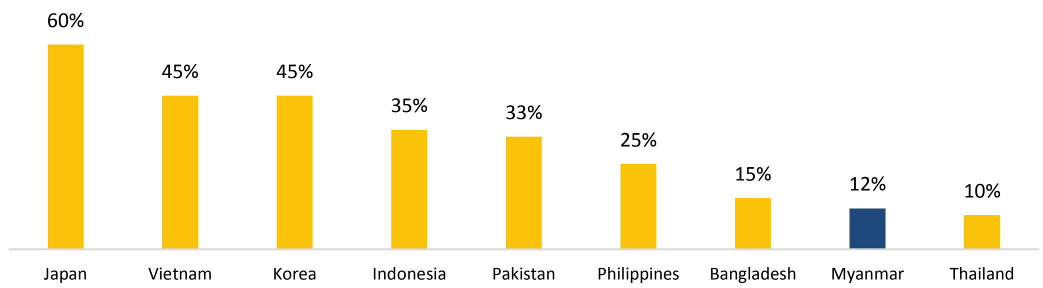
Figure 2: Expenditure across levels of government
2012-2018 in million Kyat



Source: Union Citizen's Budget, MOPF; RI staff estimates

5. **Sub-national spending remains modest** at about 50,000 Kyat per person on average across 14 states/regions. In relative terms, the state/regions' share of general government expenditure is below that of other Asian economies, above Thailand's 10 percent but below countries like Vietnam (45 percent), Indonesia (35 percent) and Bangladesh (15 percent) *(Figure 3)*. Expenditure composition is explored in section C.

Figure 3: Sub-national spending as share of general government expenditure
International comparison



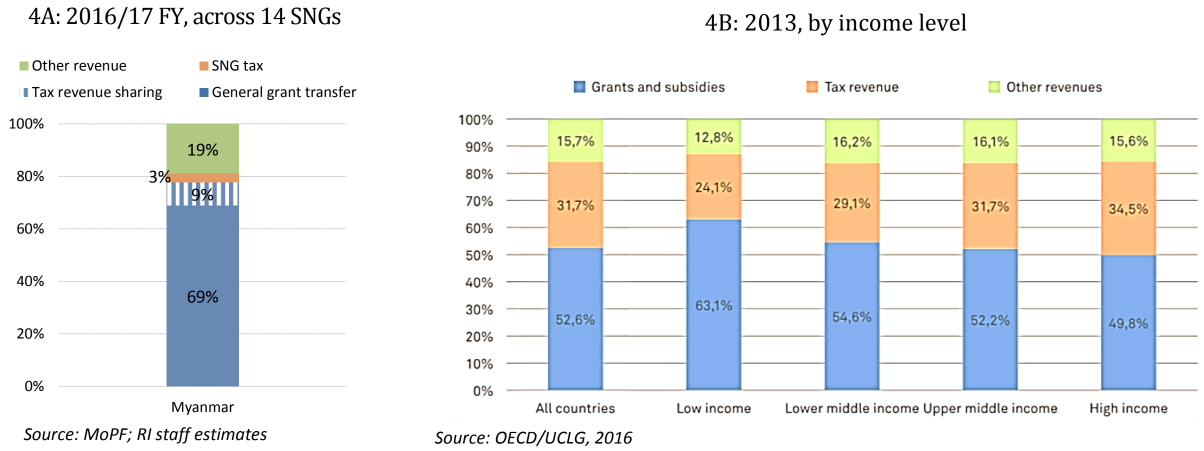
Source: Adapted from Minoletti, 2016; International figures (2009) taken from Dickenson-Jones, De and Smurra, State and Region Public Finances in Myanmar, p.44; Myanmar figure (2017/18) from Union Citizen's Budget and MOPF data.

6. **Sub-national governments are more reliant on central transfers relative to international comparators.** About 80 percent of sub-national budgets in Myanmar are financed by the central Union Government – with variation across states and regions *(Figure 4A)*.[3] With the exception of a few countries and large urban centers, local governments commonly face fiscal shortfalls and intergovernmental transfers to SNGs are a fact of life in public finance. There isn't an ideal or preferred composition of SNG fiscal resources. Although, according to OECD, across a sample of 90 countries, the share of resources financed by grants and subsidies tend to be lower – and local tax collection higher – for higher income countries relative to low-income countries *(Figure 4B)*. Myanmar fits at the far

[3] As high as 97 and 99 percent in Tanintharyi region and Chin state, respectively. On the opposite side of the spectrum, around 50 percent of budgets in Yangon and Mandalay financed by local sources of revenue.

end, with a higher share of resources financed by grants than the average amongst the low-income countries. The following section (B) provides more detail on the composition of SNG revenue in Myanmar.

Figure 4: Breakdown of sub-national governments revenue
by category, % of SNG revenue



7. **Medium Term Fiscal Framework (MTFF) reforms**: MTFF reforms in Myanmar aim to foster fiscal discipline and improve strategic resource allocation by providing expenditure ceilings to government agencies. As part of these reforms, there have been significant changes to sub-national financing – more specifically, to intergovernmental fiscal transfers. Traditionally, Union transfers to state/region governments have been negotiated, functioning as "deficit grants", often adjusted to help achieve balanced budgets. As part of the medium-term fiscal framework (MTFF) reforms, since 2015-16 FY a large share of fiscal transfers has been rules-based. These changes, and the fiscal transfers more broadly, are discussed in more detail in the revenue section (section B).

8. **Budget calendar:** One of the most significant recent developments is a shift in Myanmar's budget calendar, from April-March to October-September. To accompany the change a 6-month interim budget was introduced to cover the period bridging the end of the 2017-18 FY on March 31, 2018, and the new 2018-19 fiscal year, to commence on October 1, 2018. The difficulties in implementing infrastructure projects hampered by the onset of the rainy season (during the months of June - October) is the commonly cited rationale behind the change. The interim budgets are not included in this document, although changes to the calendar are broadly discussed.[4]

9. **Institutions:** Sub-national institutions that relate to PFM (e.g. the budget departments, Hluttaws[5]), have been formed less than a decade ago. To those outside the government, there are still important question marks around accounting practices, flow of funds and information both horizontally and vertically. This report highlights these areas as important areas of knowledge for the purposes of external technical support to the government. A deeper inquiry of these will allow government partners and donors to foster a better understanding of Myanmar's new institutions and provide meaningful support to improving local governance, integration and coordination of activities across levels of government.

[4] Some coverage of the interim budgets for individual states/regions can be found in RI budget briefs - https://rimyanmar.org/en/publication-category/budget-briefs

[5] Hluttaws are Myanmar's (partially) elected parliaments. Each state and region has its own Hluttaw.

B. Revenue arrangements and performance

10. Background: Revenue in Myanmar's SNGs is classified under 3 categories: current, capital and financial. The majority of all revenue across sub-national governments is budgeted as current, which is the focus of this section. Capital and financial revenue are almost entirely concentrated in Yangon and Mandalay and are not explored in much detail in this brief.

11. Current revenue can be partitioned into i) own sourced revenue collection (categorized as tax and non-tax) and ii) Union transfers (*Table 1).*[6] What this report refers to as "own" revenue excludes the Union general grant transfer, Community Development Fund (CDF), Union collected shared taxes, and other ad-hoc transfers prior to 2016-17 FY. Although it's not uncommon to characterize centrally shared taxes as sub-national own revenue, this report treats them as transfers. The alternative characterization would less accurately reflect the real level of tax autonomy of SNGs. Regions and states don't have a lot of leeway over rates and bases for shared taxes.

Table 1: Current revenue breakdown for SNGs in Myanmar

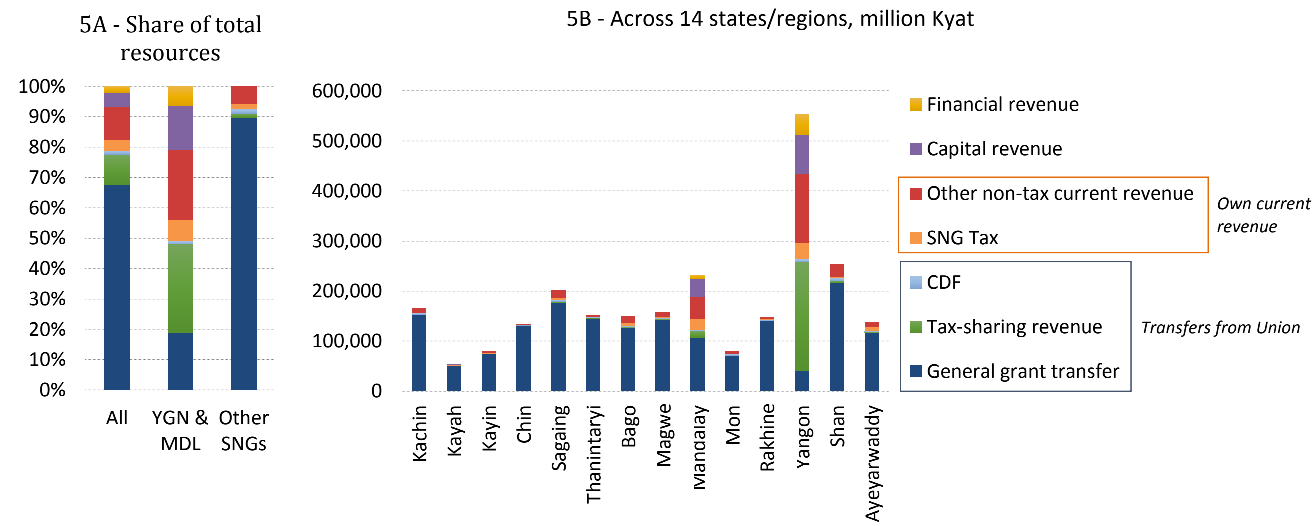
Fiscal transfers from Union			Own revenue	
			Non-tax	Tax
Union general-purpose grant transfer	Constituency Development Fund (CDF), other ad-hoc transfers before 2015-16 FY	Union tax revenue sharing: - commercial tax - income tax - special goods tax - stamp duty tax	Fees, penalties, monopoly licenses etc.	Wheel tax, property tax, excise tax, mineral, land tax, water and embankment tax, tax on the extraction of forest products, tax on fisheries

Note: Tax revenue refers to eight items labeled as taxes on sub-national budgets

12. SNGs outside of Yangon and Mandalay are firmly reliant on Union transfers *(Figure 5A)*. About half of the revenue in Yangon and Mandalay comes from transfers. The figure is close to 90 percent for the rest of the country. In 2016-17 FY, Yangon and Mandalay have derived some of their revenue from the sale of capital assets – 14 and 16 percent of their fiscal resources, respectively. While it makes a significant share of their income, capital income stems from the one-off sale of assets and hence does not provide a sustainable source of revenue *(Figure 5B).*

Figure 5: Breakdown of SNG fiscal resources

By type, 2016-17 BE

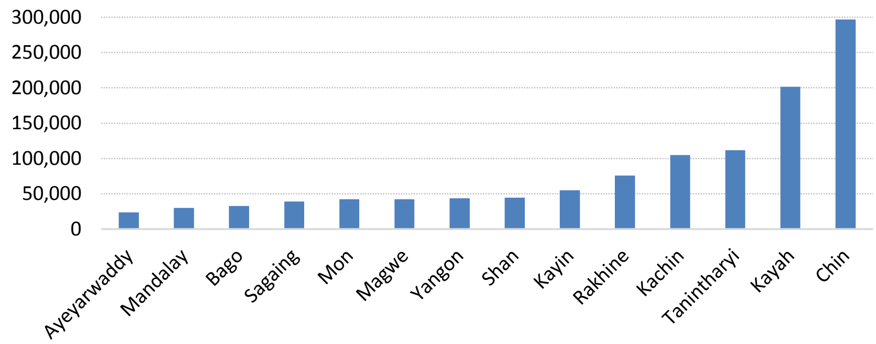


Source: MoPF; RI staff estimates
Notes: SNG = Sub-national Government; CDF = Constituency Development Fund; YGN = Yangon; MDL = Mandalay; BE = Budget Estimate (enacted by legislature)

[6] Available budget formats for some individual states/regions pose a challenge in separating own source non-tax revenue from some of the Union transfers – with items both bundled together under *"other current revenue"* – which consequently blurs the picture of SNG finances.

13. Available fiscal resources per citizen vary across states and regions. *Figure 6* illustrates available budgeted fiscal resources for each state and region for 2017-18 FY. They include both own-sourced revenues and fiscal transfers from Union Government. Chin state has the highest per capita resources, with about 297,000 Kyat per person. On the opposite side of the scale is Ayeyarwaddy region with under 24,000 Kyat per person. These variations are largely an outcome of how intergovernmental fiscal transfers are administered, which are explored in section B2. The composition of expenditure is explored in section C.

Figure 6: Available fiscal resources
Kyat per capita by states/regions, 2017-18 BE



Source: MOPF, 2014 census; RI staff estimates
Note: BE = Budget Estimate (approved by legislature)

14. The following section reviews the level, composition, and arrangements of revenue: with a focus on both own-sourced current revenues and fiscal transfers from the Union Government.

B.1 Own revenue

15. **Background**: State/Region governments collect both tax and non-tax revenues from fees, licenses, and more, within the powers under schedule 5 of the 2008 Constitution. There is scope for deeper inquiry into local sources of revenue. Specifically, into the legal framework, policy and administration elements of local collection – some of which are shaped by pre-Constitution laws. Moreover, schedule 5 items are not easily identified in local budgets. It's possible that not all of the schedule 5 items are earmarked for sub-national budgets and are still budgeted at the Union level (see appendix for the list of schedule 5 items and links to SNG budgets).

16. **Amendments to the constitution in 2015 added a list of taxes to schedule 5**, to be potentially collected by states and regions. While it had no immediate impact on SNG finance, the amendment acts as a placeholder for subsequent Union laws that could lead to considerable changes. For example, the list includes taxes on natural resources and customs; decentralization of which may have significant implications for horizontal equity between locations.[7]

17. **Tax vs. non-tax revenue.** In practice, the distinction between tax and non-tax sub-national revenue is blurry and available budget formats pose challenges to meaningful analysis. This report identifies 8 tax items (*Table 1*) – those regularly labeled as such under sub-national budgets. It could be argued that some of these taxes function more as license fees for running particular business operations (e.g. tax on fisheries, excise tax). Non-tax revenue makes the majority of own-source revenue *(Figure 7A)*. Available budget formats conceal their detailed breakdown, but more broadly, they include: various fees from renting of government assets, fines, seizures, selling of business licenses and more.

[7] Section 3 of the Law Amending the Constitution of Republic of the Union of Myanmar, The Pyidaungsu Hluttaw Law No. 45, 22 July 2015.

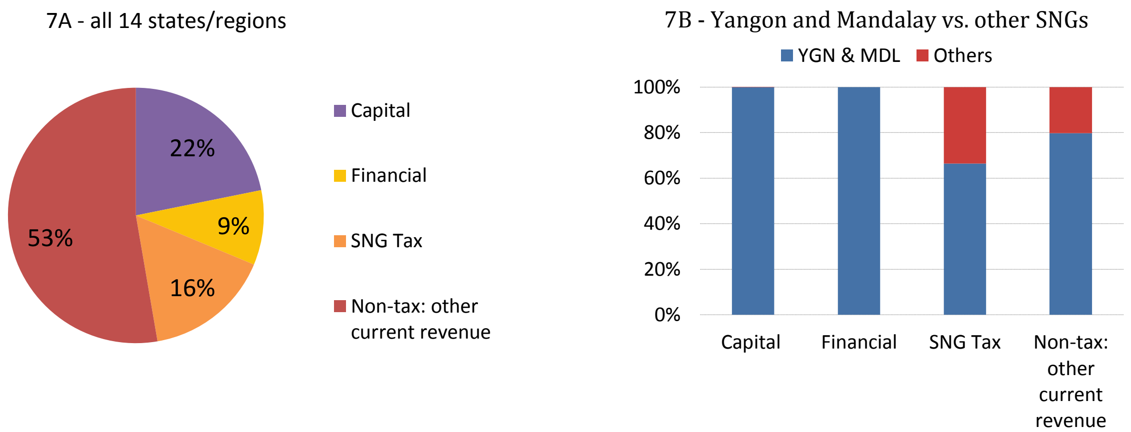
18. **Indirect taxation: sub-national collection presents a distortionary mix of revenues.** Government levies everywhere influence decision-making to some extent, and tend to introduce some distortions. A well-defined tax policy would aim to balance the need to fund government while keeping negative market distortions to a minimum. In Myanmar's SNGs, both tax and non-tax sources of revenue provide multiple examples of distortions that impose arbitrary and unequal burdens of similar members of society. Bissinger (2016) suggests that this contributes to a regressive revenue structure, with a study focus on non-tax sources like the municipal auction licenses. Taxes too, like those on fisheries, may function like business license fees and can contribute to regressive outcomes. The requirement is often to pay a fee/tax in advance to engage in an economic activity. These are generally paid by businesses, though the cost can often be passed on to consumers. Such system disadvantages credit-poor small businesses and may disproportionally affect women (Chan et al., 2018).

19. **Informal taxation:** When talking about sub-national taxes and tax reform in Myanmar it is important to look beyond formal budget classifications and levies collected by the government. Decades of military rule have built a degree of distrust between businesses / citizens and the state (Bissinger, 2016). This affects what taxes are collected and how the formal collection is administered.[8] In addition, McCarthy (2016) suggests that lack of state-supported programs have helped develop localized informal mechanisms or risk-sharing, and public goods provision across Myanmar. He concludes that non-state welfare systems are essential to social protection, shaping expectations of the state and placing a significant burden on households to contribute to these institutions. Little is known about the relative importance of these non-state networks and the extent of fiscal burdens on households when compared to what government levies in tax and provides in support. This may have implications on tax reform that aims to reach the broader Myanmar population. It also highlights the importance of a role that sub-national governments / offices can play in developing location-specific strategies, building trust and understanding about the reforms before they take place.

20. **Almost all of own budgeted revenue – outside of the three Union transfers – is generated in Yangon and Mandalay regions** (about 85 percent in 2016-17 BE). In 2016-17, Yangon and Mandalay accounted for nearly all of capital and financial revenue, 65 percent of tax revenue and about 80 percent of non-tax revenue *(Figure 7B)*. This highlights a wide gap in revenue performance between the 12 SNGs relative to Yangon and Mandalay.

Figure 7: Breakdown of own source fiscal resources

By type, as % of state/region budgets, excluding Union transfers, 2016-17 BE



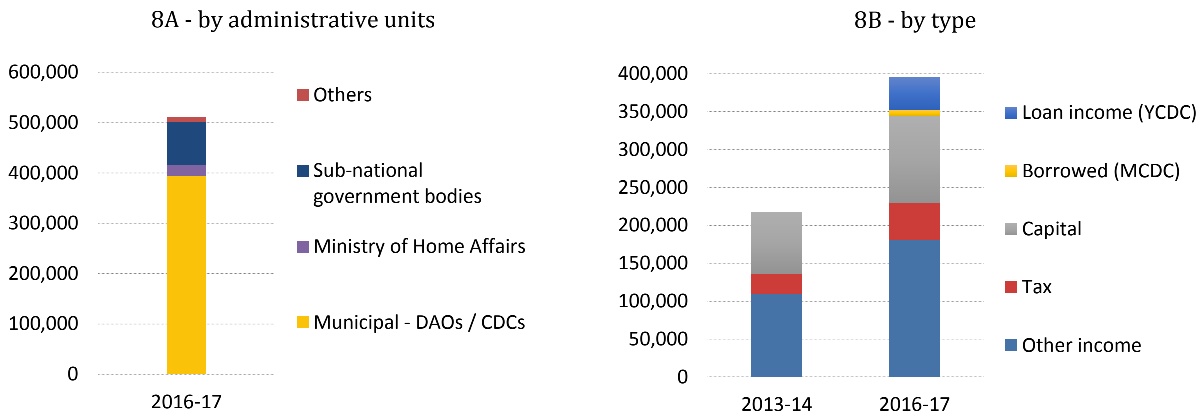
Source: MoPF; RI staff estimates
Note: BE = Budget Estimate (enacted by legislature); YGN = Yangon; MDL = Mandalay; SNG = Sub-national Government; "Others" includes 12 states/regions outside of Yangon and Mandalay regions

21. **Municipal offices collect the majority of SNG own revenue – 77 percent *(Figure 8A)*.** Most of this revenue is collected by Yangon and Mandalay City Development Committees (YCDC and MCDC) from non-tax sources like sale of capital assets, sale of monopoly auction licenses, various fees, and some financial revenue (see Box

[8] For more detail see, Bissinger (2016)

1).[9] Sub-national government bodies (mostly SNG cabinet offices)[10] account for about 17 percent of local revenue through collection of various fees and penalties. Available budget formats limit analysis of non-tax revenue sources for both municipal and SNG cabinet offices.

Figure 8: SNG own-source revenue
million Kyat



Source: Open Myanmar Initiative; RI staff estimates
Notes: Figure 8A: Municipal administrative units includes Development Affairs Organizations, Yangon and Mandalay City Development Committees (CDCs); Sub-national government Bodies are comprised of (1) SNG Cabinet Office (2) SNG Parliament (3) Court (4) Attorney General Office and (5) Auditor Office; Figure 8B includes data for 11 states/regions; excludes Chin state, Rakhine state, Ayeyarwaddy region.

Box 1: Sub-national borrowing

Sub-national borrowing is specified under the 2016 Public Debt Management Law. It indicates that states and regions can borrow from both Myanmar and international lenders, subject to approval from the Union Cabinet and the Union Hluttaw (Public Debt Management Law, Chapter 6, Article 20). To date, it appears no significant external borrowing has been undertaken by Myanmar SNGs outside of Yangon and Mandalay.

Financial revenue for sub-national governments is exclusively budgeted under the municipal offices in Yangon and Mandalay (YCDC and MCDC). Publicly available budget formats limit a more detailed inquiry, with aggregate financial revenue figures budgeted as "loan income" and "borrowed". It's not entirely clear if loan income refers to a debt obligation and/or income made from issuing loans. Conversations with Yangon MPs suggests that financial revenue relates to the ODA loan issued by JICA, which covers the Greater Yangon Water Supply Improvement Project – handled by the YCDC.

For more detail on the JICA loan, see, https://www.jica.go.jp/english/news/press/2016/170301_01.html
Public Debt Management Law: http://www.myanmar-law-library.org/law-library/laws-and-regulations/laws/myanmar-laws-1988-until-now/union-solidarity-and-development-party-laws-2012-2016/myanmar-laws-2016/pyidaungsu-hluttaw-law-no-2-2016-public-debt-management-law-burmese.html

22. **Overview of local tax arrangements in Myanmar:** Tax assignments refer to items identified as local taxes on sub-national budgets and with basis in schedule 5 of the constitution. However, formal revenue assignment may not translate to full local autonomy. With greater tax autonomy state/region authorities would have the ability to determine the rates (and potentially also the bases) for the constitutionally assigned taxes. Among locally assigned taxes, SNGs have full autonomy over property tax (Lachlan and Hein, 2017). This is broadly in line with sound assignment principles, with good practice to assign taxes with immobile bases (e.g. land and property) to local authorities because there is no scope to shift location to avoid taxation.

23. **Tax autonomy:** There's been lack of clarity in how local governments' exercise discretion over tax policy, with respect to tax base and rates over other schedule 5 taxes. However, in recent years several states/regions have passed

[9] For more detail on municipal revenues and auction licenses see, "Local Economic Governance in Myanmar", Jared Bissinger 2016 - http://asiafoundation.org/publication/local-economic-governance-in-myanmar/
[10] Sub-national government Bodies are comprised of (1) SNG Cabinet Office (2) SNG Parliament (3) Court (4) Attorney General Office and (5) Auditor Office.

their own tax laws altering the tax base and rates. According to media sources, Yangon has passed its own tax law which is said to cover tax rates on property, land, fisheries and wheel tax.[11] Kayin state passed the State Land Tax Law raising tax rates on land from under 5 Kyat per acre to 300-700 Kyat per acre depending on type of land. The law also clarifies tax base, timeframe, and administration responsible for collection.[12] These examples provide suggestive evidence that SNGs can and do set their own rates. However, further examination is required for a wider picture of autonomy over local tax policy. Currently, state and region governments have no autonomy over Union collected shared revenues, which are thus treated in this report as fiscal transfers. Surcharges on national taxes are not explored in Myanmar.

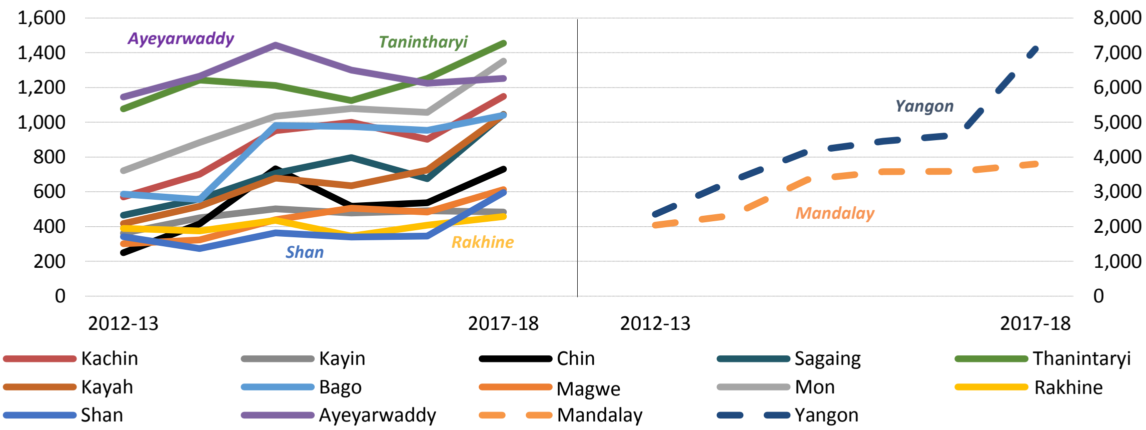
Table 2: Taxonomy of sub-national revenue arrangements

	Local autonomy					
	Tax base		Tax rate		Administration	
Revenue source	Typical	Myanmar	Typical	Myanmar	Typical	Myanmar
Own-revenue assignments (Schedule 5)						
Property tax* and wheel tax	✓	✓	✓	✓	Possibly	✓
Other Schedule 5 taxes	✓	Possibly	✓	Possibly	Possibly	✗
Revenue sharing	✗	✗	✗	✗	Possibly	✗
Surcharges on national taxes	✗	N/A	✓	N/A	Possibly	N/A

*Source: Adapted from Fedelino and Ter-Minassian (2010) and World Bank (2015); *McDonald and Hein (2017); Note: N/A = Not Applicable*

24. **Sub-national tax performance since 2012-13 has been weak and growth relatively flat outside of Yangon and Mandalay *(Figure 9).*** Average collection of 8 taxes identified on SNG budgets in 14 states and regions has increased from 1,000 Kyat in 2012-13 FY to 2,216 Kyat per person in 2017-18 FY, or about $1.5. There are however significant variations – with collection as low as 458 Kyat ($0.3) in Rakhine and as high as 7,100 Kyat ($5) in Yangon.[13] Annual growth in real terms averaged 13 percent in Yangon and Mandalay, and only about 3 percent across the other 12 states/regions.[14]

Figure 9: SNG per capita tax collection
Kyat per person in 14 states/region, 2012-2018

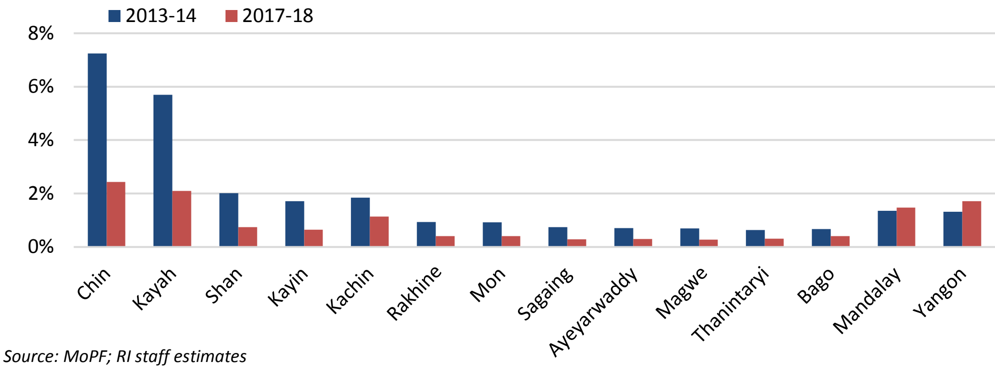


Source: MoPF; RI staff estimates

25. **Tax to GDP**: Weak tax performance outside of Yangon and Mandalay is reflected in the low share of taxes relative to state/region economic output. Between 2013-14 and 2017-18 fiscal years, tax performance outside of Yangon and Mandalay has not kept pace with GDP *(Figure 10)*. During the same period, the ratio of tax to GDP has increased only in Yangon and Mandalay by 0.1 and 0.4 of GDP, respectively.

[11] https://www.imyanmarhouse.com/news/read/721694
[12] Kayin State Land Tax Law – enacted in Kayin State Hluttaw Law No. 3/2017
[13] Exchange rate used for USD conversation as of July 2018: 1 USD = 1416 Kyat.
[14] Real terms - deflated using the IMF average consumer price index for Myanmar.

Figure 10: SNG tax to GDP
8 SNG taxes as % of state/region GDP

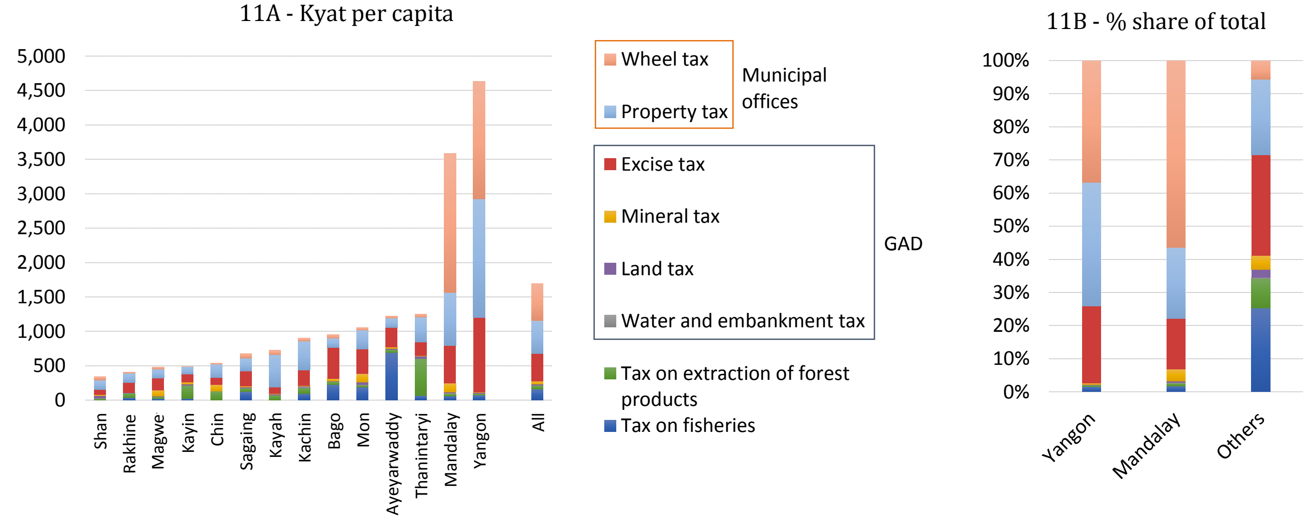


Source: MoPF; RI staff estimates

26. **Sub-national tax collection is fragmented across multiple administrative units** (*Figure 11A*)**.** Eight taxes identified on sub-national budgets are collected by 4 different ministries. Property and wheel taxes are collected by the municipal offices. General Administration Department (GAD.) under the Ministry of Home Affairs, collects 4 other taxes: land tax, excise tax, water and embankment tax, and mineral tax. Tax on extraction of forest products and tax on fisheries are collected by Departments of Forestry (under the Ministry of Natural Resources and Environmental Conservation) and Fisheries (under the Ministry of Agriculture, Livestock and Irrigation), respectively. Such fragmented administration may pose challenges to tax reform, as policy and building of technical capacity would require wider effort and coordination. Average tax collection of 2,216 Kyat per person in 2017-18 FY, or about $1.5, appear even smaller when one considers that it's collected by 4 different ministerial administrations. This raises a question of whether such fragmentated of tax collection is worth the benefit (especially for taxes that may cause more market distortion relative to what they bring in funds, paragraph 18).

27. **Wheel, property and excise taxes are largest tax items for states/regions** – 32, 28 and 24 percent of the total, respectively. Although there are variations across states/regions: Fisheries for Ayeyarwaddy and Forest production for Tanintharyi are the largest tax items, respectively *(Figure 11A)*. Administratively, municipal offices bring in 76 percent of all tax collection for Yangon and Mandalay; as compared to 29 percent in other SNGs *(Figure 11B)*. Outside of Yangon and Mandalay, GAD under the Ministry of Home Affairs collects the most tax with 37 percent of all collection – majority via excise tax (for more on excise tax, see box 2).

Figure 11: Breakdown of SNG tax collection
By item, 2016-17 BE



Source: MoPF; RI staff estimates;
Notes: BE = Budget Estimate (enacted by legislature); Municipal offices include Development Affairs Organizations (DAOs), Yangon and Mandalay City Development Committee (YCDC, MCDC); GAD = General Administration Department (Ministry of Home Affairs). Tax on extraction of forest products and tax on fisheries are collected by departments of forestry and fisheries, respectively.

Box 2: Excise revenue - are states and regions missing out?

"… although Schedule 5 assigns 'Excise Revenue' to state/region government, what is actually collected by GAD appears simply to be the annual license fee for running liquor-making or retail businesses. Yet, 'excise revenue' in English ("YitMyo" in Myanmar) denotes a fiscal levy which has a much broader base than just license fees, whether judged by international convention, or even apparently by Myanmar's own legal precedents.

Under the Union Tax Law of 2016, on behalf of the Union government, the Internal Revenue Department collects 'special goods taxes' on alcohol and tobacco which, based on international convention and on Myanmar's own legislative precedent, would appear to be 'excise revenues', and hence to be under the authority of state/region government to collect, rather than the Union government. There may be some legal or regulatory reason why such taxes are not being, or cannot be, collected by states/regions, and instead are collected by the Union government, due, for example, to Union laws or regulations not having been re-aligned to Schedule 5 provisions; or this may simply be an oversight needing to be rectified; or it is just a mistranslation of terms between Myanmar and English."

Source: Abstract from Shotton at al., 2016, pp.36-37

B.2 Fiscal transfers

28. **Background**: Fiscal transfers from the Union play a vital role in Myanmar's fiscal decentralization, as revenue generation remains centralized. Transfers can permit benefits of decentralization while at the same time mitigating some of the potential adverse effects (World Bank, 2007, p.32). They are a necessary complement to decentralization and will gain in importance as the country's decentralization moves forward.

29. **The number of fiscal transfers from the Union government has decreased**, while the total Kyat amount transferred has been consistently increasing. Before 2016-17, at least some SNGs received numerous small transfers from the Union government. Examples of these transfers are: "Township Development and Management Fund" (2015-16), "Regional Development and Poverty Alleviation Fund" (2012-2016), and various other special project funds.[15]

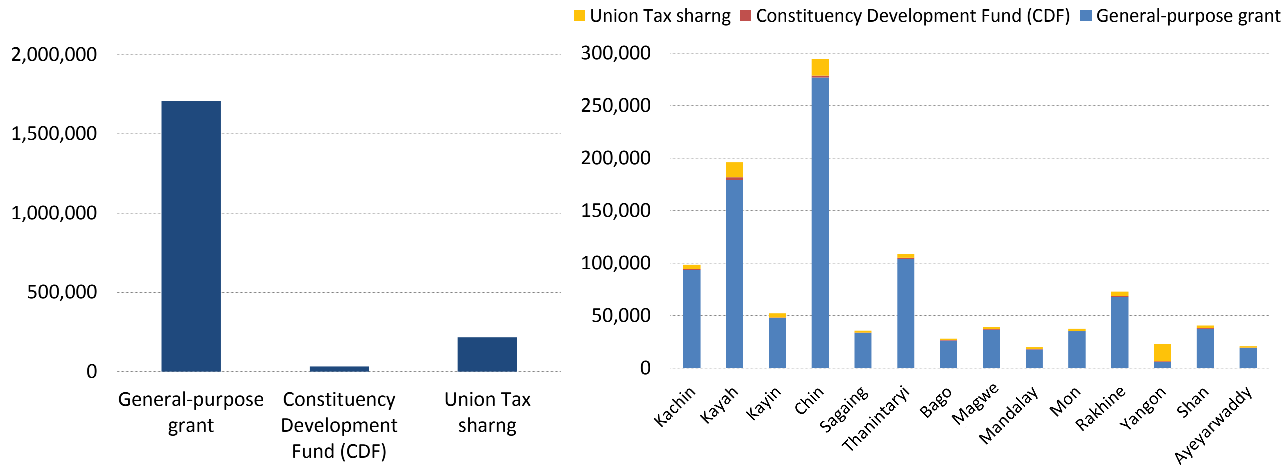
30. **Intergovernmental transfers in Myanmar amount to around 2 percent of GDP**.[16] An increase from 0.6 percent of GDP in 2011-12 (World Bank, 2015b). They represent 10 percent of Union government revenues in 2017-18 BE and finance 79 percent of all SNG expenditure. Current transfers to state and regions can be characterized under 3 components; (i) the general-purpose "deficit" grant transfer (ii) constituency development fund/grant (CDF) and (iii) tax sharing transfer *(Figure 12A and 12B)*.[17]

31. **Policy objective**: Intergovernmental transfers have helped support macro-fiscal objectives, closing the vertical fiscal gap while maintaining a degree of resource equity across the country. Going forward, they may yet offer a deeper scope as a policy tool for the Union Government. For example there are currently no conditional or performance based grants in Myanmar's intergovernmental transfers. It's important that policy changes and introduction of new transfer mechanisms aim to uphold the rules-based approach and the emphasis on improving the horizontal resource equity.

[15] For a more detailed example, see, Bago Budget Brief No.2, Figure 13 - https://rimyanmar.org/sites/rimyanmar.org/files/publication_docs/budget _brief_series _-_bago_budget_brief_no_2_2017_english_0.pdf
[16] GDP: IMF article IV report, 2017
[17] General-purpose grant transfers from the Union to state/region governments were devised as deficit financing.

Figure 12: Fiscal transfers from the Union Government
By type, 2017-18 BE

12A - Total, million Kyat | 12B - Kyat per capita by states/regions



Source: MoPF; RI staff estimates
Note: BE = Budget Estimate (enacted by legislature)

32. **Institutional arrangements**: Intergovernmental transfer system in Myanmar is simple and more transparent, than previously and relative to other countries of similar income level. Table 3 summarizes the institutional landscape underpinning legal basis, design and approval elements of the 3 transfers. It suggests some institutional fragmentation in the design of each individual component.

Table 3: Fiscal transfers and institutional arrangements

		Intergovernmental fiscal transfer - Institutional arrangements		
Transfer		Legal basis	Design	Approval
General-purpose grant /a		2008 Constitution (Article 230: c,d)	Intergovernmental Fiscal Relations Division within the Budget Department (MOPF)	Approved by the Finance Commission and the Union legislature as part of the annual budget law, no separate bill
Union tax revenue sharing	Special Commodity (Goods) Tax (net of tax on imported goods)	Income Tax Law Amendment (Article 24)	The Union Cabinet approves allocation criteria in accordance with the law. It sets and approves sharing rates with input from the Internal Revenue Department (IRD) under MOPF.	
	Individual Income Tax	Commercial Tax Law (Article 31)		
	Stamp Duty tax	Special Goods Tax Law (Article 33, Section A)		
Constituency Development Fund		Pyidaungsu Hluttaw Law No 9/2014	Union Hluttaw with recommendations from the Union Hluttaw office (see chapter 3 of the relevant law)	Approved by the Finance Commission and the Union legislature as part of the annual budget law

Notes: /a sometimes referred to as the MTFF or "deficit" grant

33. **The general-purpose grant is the largest fiscal transfer to states and regions**. Outside of Yangon and Mandalay, it is the largest source of revenue and is central in the current intergovernmental fiscal system. In 2017-18 it accounted for 87 percent of all transfers.

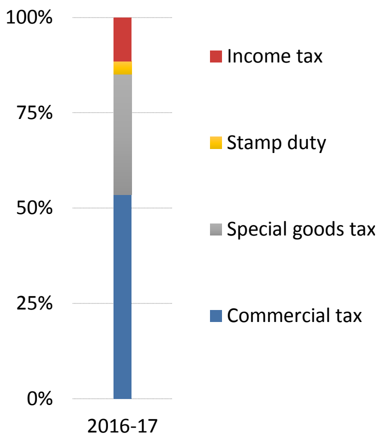
34. **As part of the medium-term fiscal framework (MTFF) reforms, the rules-based mechanism has been introduced into the general-purpose grant starting in 2015-16**. These changes have been a significant and positive step. The transfer pool is now linked to macro indicators and a formula was introduced to guide the horizontal allocation of funds.[18] Lack of transparency in how allocation decisions are made impedes sound budget planning.

[18] Application of the formula requires a deeper discussion. As it stands, the general grant transfer formula is based on the 6 equally weighted indicators: 1) State/Region Population 2) State/Region Poverty Index 3) State/Region per Capita GDP 4) State/Region Land Area 5) State/Region Urban Population 6) Per Capita Tax Collection in State/Region.

These more transparent horizontal allocation rules set a harder budget constraint and provide SNGs with a clearer expectation of available resources earlier in the budget cycle. The ceiling for the 2018-19 FY starting in October 2018 was formally communicated in May of the same year. An improvement from 2012-13, when the ceiling, for at least some SNGs, was announced just days before the start of the new fiscal year (Myanmar PEFA Assessment, 2012).

35. **Tax sharing accounts for around 9 percent of all transfers in 2017-18 budget estimate but could play a more important role as tax administration improves.** However, this could be politically contentious, as Myanmar increases its tax collection and brings a larger share of extractive resource industry into the tax system. In 2016-17 commercial and special goods taxes were added to individual income and stamp duty taxes which were being shared since 2012. These 4 taxes are shared to a lower level of government – and are all collected by the Internal Revenue Department (IRD) of the Union Ministry of Planning and Finance (MOPF) *(Table 4)*. Although, it is possible that sharing of the stamp duty tax has been discontinued in 2017-18 FY. Commercial and special goods taxes are the largest by volume, accounting for over 80 percent of all tax sharing amount in 2016-17 FY *(Figure 13)*. Income tax and commercial tax (which are among the shared taxes) also make the majority of Union tax collection, at 3.2 and 2.6 percent of GDP in 2016-17, respectively (World Bank, 2017). With continued progress in tax administration reform, collection of these taxes will likely grow – offering more sub-national resources under the current tax sharing scheme.[19]

Figure 13: Tax revenue sharing
By tax item, % of total shared



Source: MoPF; RI staff estimates

Table 4: Revenue Sharing Arrangements

Tax source	Basis of allocation in 2016-17 FY	Basis of allocation in 2017-18 FY (supposed change)
Commercial Tax (net of tax on imported goods)	15% by state/region of collection	15% of tax receipts from the largest SOEs at Yangon's LTO are redistributed across states/regions according to the general grant transfer formula.
Special Commodity (Goods) Tax (net of tax on imported goods)		Non-SEE, cooperatives and private sector tax receipts are allocated by origin like in the previous year
Individual Income Tax	5% by state/region (possibly township) of collection	No changes
Stamp Duty Tax	2% by state/region (possibly township) of collection	N/A – possibly removed

Source: Adapted from Shotton et al. (2016), interviews with the Internal Revenue Department
Notes: LTO = Large Taxpayers Office; SEE = State Economic Enterprise

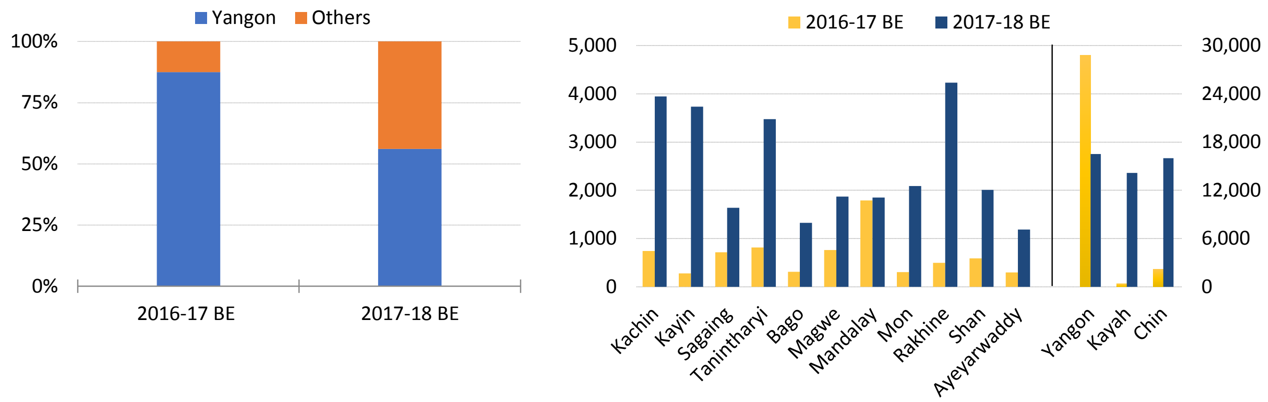
36. **A likely change to distribution mechanism of shared taxes is shifting allocation from Yangon region to other SNGs.** At the outset tax revenue was shared by origin of accrual, according to the state/region where it was collected. In 2016-17 fiscal year, nearly 87 percent of the tax-sharing pool went to Yangon. This was due to greater commercial activity in the region and better-developed administration (e.g. Large Tax Payer Offices (LTO)). This creates an environment where a number of large companies pay their taxes in Yangon, not necessarily the state or region of operation. In fact, according to government officials and the letter to the President's Office, the change in tax sharing allocation mechanism for 2017-18 FY was driven by equity considerations and concerns that Yangon LTO collects taxes from businesses and the largest State Owned Enterprises (SOEs) which operate across the country.[20] The change in policy reallocates 15 percent of commercial and special goods tax receipts from the SOEs at Yangon's LTO across states/regions in accordance with the formula used for the general-purpose grant transfer. As a result, Yangon's share of the Union shared taxes has decreased from nearly 87 percent in 2016-17 FY to 56 percent in 2017-18 FY *(Figure 14A and 14B)*.

[19] For more on progress and reforms in Myanmar's tax administration see, "Tax system efficiency" chapter in World Bank, 2017.
[20] Interview, Union Ministry of Planning and Finance (May 2017).

Figure 14: Union tax sharing

14A - Yangon & other SNGs, % of total pool

14B - Kyat per capita, by state/region



Source: MoPF; RI staff estimates. Note: Figures exclude sharing of stamp duty tax; BE = Budget Estimate (enacted by a legislature)

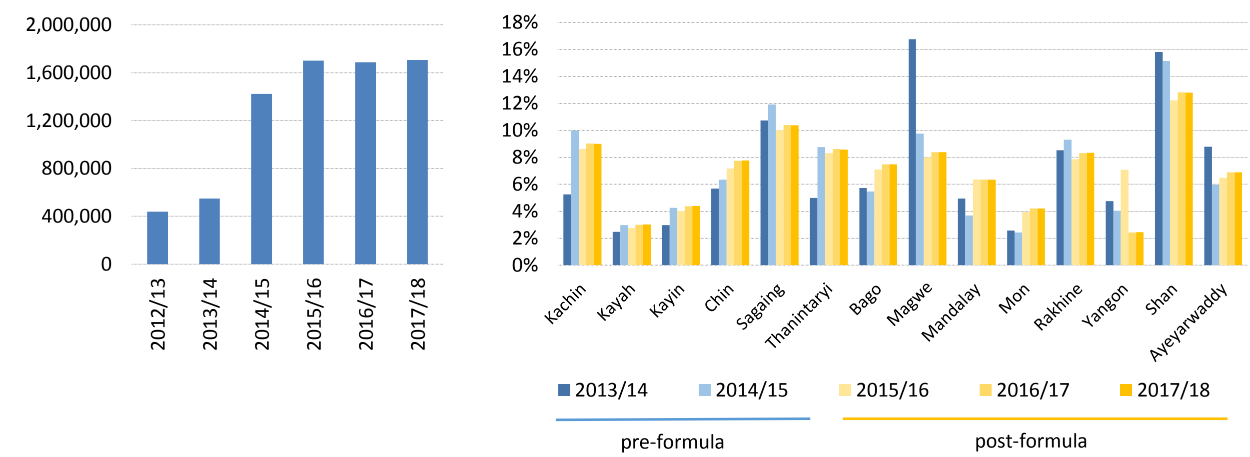
37. **Constituency Development Fund makes up the smallest element of the intergovernmental fiscal system** – 1.7 percent of all transfers. Starting in 2013-14 FY, 33 billion Kyat has been equally shared among 330 townships, at 100 million Kyat each. These funds fall under the authority of Union Hluttaw Members and recorded on state/region budgets. They tend to be used for small-scale infrastructure, and potentially supplement Union expenditure on education and health – sectors not formally recognized on SNG budgets. While it doesn't make a large share of local finances, the equal amount allocation per township makes it highly inequitable on per capita basis.

38. **MTFF reforms to fiscal transfers in 2014-15 FY have set a harder constraint to the size of the transfer pool but had a smaller impact on distributional outcomes *(Figure 15A).*** The central transfers used to be calculated based almost exclusively on estimates of the state/regional level operating deficits. The change imposes greater stability to fiscal resource flowing from Union to SNG budgets, hence reducing potential fiscal risk to the central budget stemming from state/region deficits. It appears the formula is applied on the margin, to the new funds (tied to macro indicators) added to the transfer pool, thus resulting in horizontal allocation based on both historical distribution and application of the formula. Post-formula distributional outcomes haven't changed by a large margin, although does appear to have reduced variation from year-to-year *(Figure 15B).* In fact, this marginal distributional impact may reflect explicit pragmatism in design, aiming to institutionalize rules without creating significant distortions and big "losers" from the formula-induced reallocation.

Figure 15: General-purpose grant to states/regions

15A - Total amount, million Kyat 2012-2018

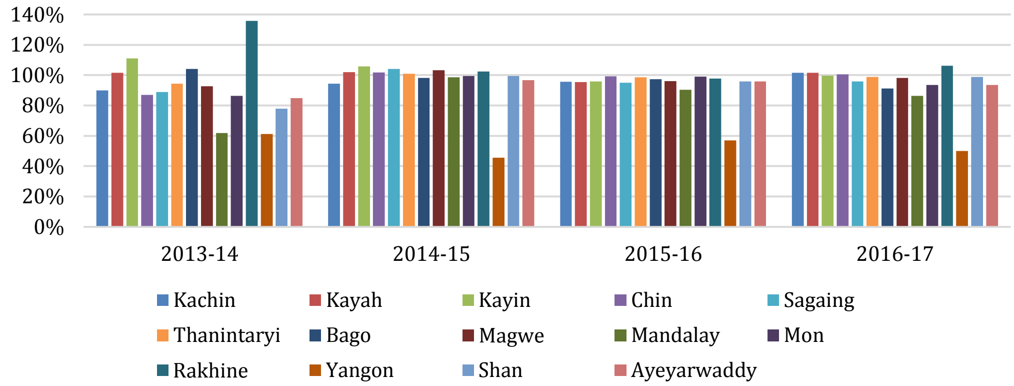
15B - % share of total, by state/region



Source: MoPF: RI staff estimates

39. **General-purpose grant is at times adjusted.** In recent years the total actual (A) transfer amount has been revised down from the budget estimates (BE) and shares allocated to states/regions re-adjusted *(Figure 16)*. It's not entirely clear how these changes are made. They're likely aimed at correcting disparities from other sources of revenue, most notably those created by Union tax-revenue sharing. Yangon region has consistently seen its total amount revised down by at least 40 percent, reflecting its greater revenue performance relative to other SNGs. Moreover, as per the 2017 Myanmar PFM regulations (Article 66), the actual amounts could also be adjusted and allocated in response to actual cash balances of SNGs.[21,22] The general-purpose grant is allocated through 2 payments, the first equal to exactly half of the total budgeted transfer amount in the enacted budget. The second payment is distributed closer to the end of the fiscal year and adjusted according to sub-national cash balance in the previous fiscal year.[23]

Figure 16: General-purpose grant deviations
Actual transfers (A) as % share of budgeted (BE), 2012-2017



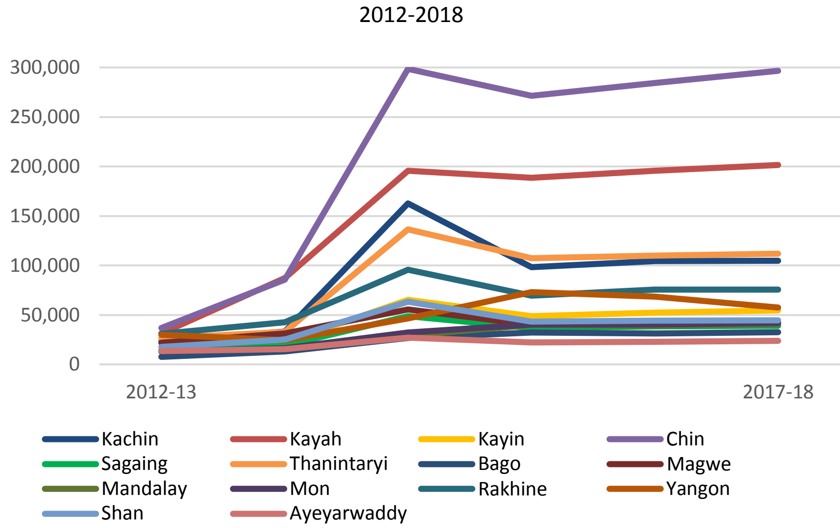
Source: MoPF; RI staff estimates. Notes: BE = Budget Estimate (enacted by legislature); A = Actual (internally audited figures)

40. **Equity:** The general-purpose grant does correct some disparities across regions and states, however questions have been raised about its equity implications over time (Shotton et al., 2016) *(Figure 17A)*. Resource equity has worsened following the large increases in total transfers after 2012-13 FY – with the ratio of per capita resources between that of the highest and the lowest SNG growing from 4.8 in 2012-13 to 12.4 in 2017-18 (with 2 notable outliers in Chin and Kayah states). Overall, equity disparities are partially offset by the general-purpose grant, which lowers the equity ratio – 21.2 and 12.4 equity ratio without and with the general grant in 2016-17 FY, respectively *(Table 5)*. The general-purpose grant transfer is nearly 8 times the size of tax-sharing transfers, and provides a fiscal buffer to correct equity disparities from own-source revenue and other transfers. But current equity levels may be challenged if other less equitable transfers grow larger in size.

[21] Myanmar PFM Regulations (35/2017) https://www.mopf.gov.mm/sites/default/files/upload_pdf/2017/08/Financial%20Rules%20and%20Regulation.pdf
[22] Myanmar PFM regulations. Chapter 7, Section 66.
[23] For example, if state/region has a 3 million Kyat surplus at the end of a given fiscal year, this amount would be subtracted from the formula generated amount the following fiscal year.

Figure 17: Resource equity ratios

Total available fiscal resources, Kyat per capita by state/region



Source: MoPF; RI staff estimates

Notes: Total available resources include all of the budgeted own-sourced revenue and all identifiable transfers. BE = Budget Estimate (enacted by legislature)

Table 5 – With and without the general-purpose grant, 2016-17 BE

	With	Without
Chin	278,829	5,774
Kayah	184,048	8,077
Thanintaryi	108,396	5,165
Kachin	100,610	7,911
Yangon	75,278	69,727
Rakhine	70,665	3,766
Kayin	50,235	3,287
Shan	43,540	6,385
Magwe	40,515	4,385
Mon	38,960	4,416
Sagaing	37,779	4,822
Mandalay	37,682	20,291
Bago	30,866	4,905
Ayeyarwaddy	22,430	3,642
Max:Min ratio	12.4	21.2

41. **Formula specific comments**: The general-purpose grant uses a formula with 6 equally weighted indicators: 3 as proxies for expenditure needs and 3 as proxies of fiscal constraint (in other words, reflecting ability to generate own revenues).[24] Some of the common comments with regards to the formula include: i) GDP per capita as an imprecise proxy for SNG revenue potential – since local GDP is poorly correlated with local tax performance; ii) Poverty Index values don't appear to be weighted by relative population – as a result SNGs with similar poverty values but different sized population (hence different resource demands for addressing the poor) would receive the same transfer amount associated with the variable. iii) Per capita tax collection variable could potentially act as a disincentive for improved tax collection – with above average performers receiving less of the transfer amount from the 1/6th of the pool associated with the variable; iv) the fiscal constraint variables take 3/6th (50%) weight of the pool – possibly excessive fraction, since nationally own-source revenues account for a small share SNG revenues.

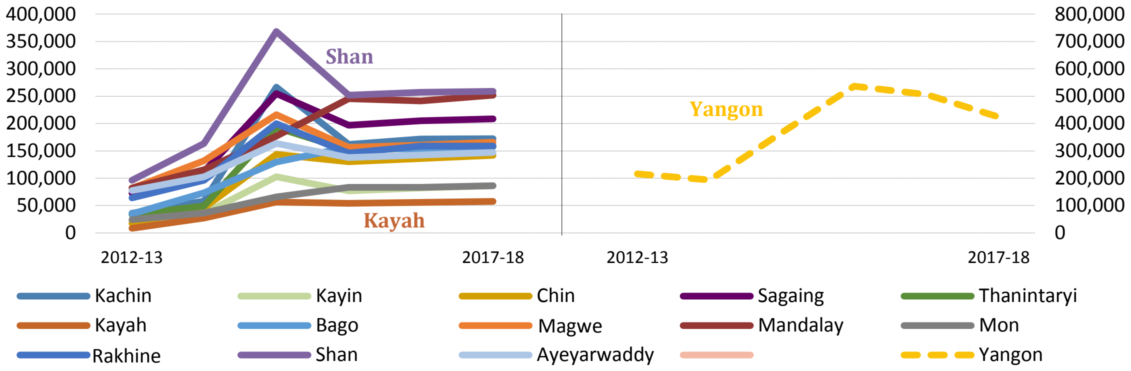
42. **Transparency and consensus:** Technical considerations are an important element of intergovernmental transfer design and have an impact on resource equity, fiscal risks, as well as incentives over tax collection. No less important are institutions underpinning the design and transparency of the system. International experience suggests that allocation of fiscal resources across SNGs can become highly political, sometimes at expense of regional equity and fiscal sustainability. Trade-offs from future policy changes to fiscal transfers have to reconcile with political reality, status quos and divergent fiscal demands across the country. Long-term sustainability of the system would demand building mechanisms to communicate trade-offs across states/regions and balancing needs in an open manner. These mechanisms are important to consider as changes to the system are made. (for discussion on institutional arrangements of fiscal transfers see, World Bank, 2007, chapter 10)

[24] The general-purpose grant transfer formula is based on the 6 equally weighted indicators: 1) State/Region Population 2) State/Region Poverty Index 3) State/Region per Capita GDP 4) State/Region Land Area 5) State/Region Urban Population 6) Per Capita Tax Collection in State/Region

C. Expenditure

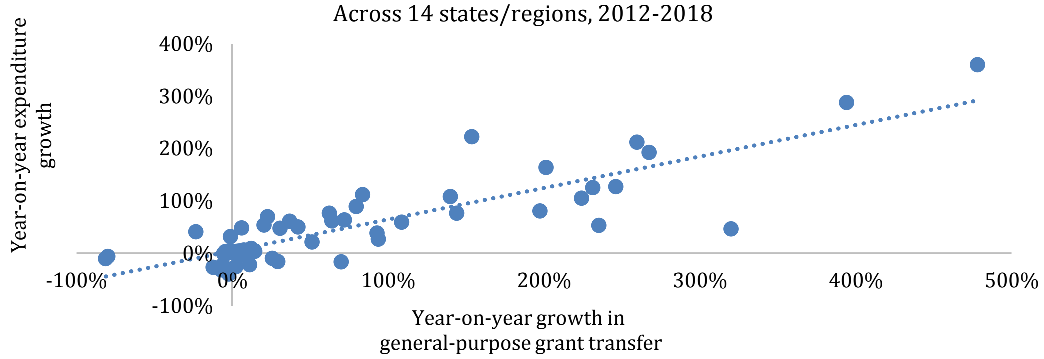
43. **State and region expenditure has nearly tripled since their first enacted budgets in 2012-13 *(Figure 18)*.**[25] Annual expenditure growth across 14 states/regions averaged 23 percent, with an overall increase of 286 percent – from 864 million Kyat to 2,475 million Kyat between 2012-13 and 2017-18 fiscal years. Increases in expenditure have been largely driven by increases in fiscal transfers from the Union Government *(Figure 19)*.

Figure 18: Total SNG expenditure
By state/region, million Kyat 2012-2018



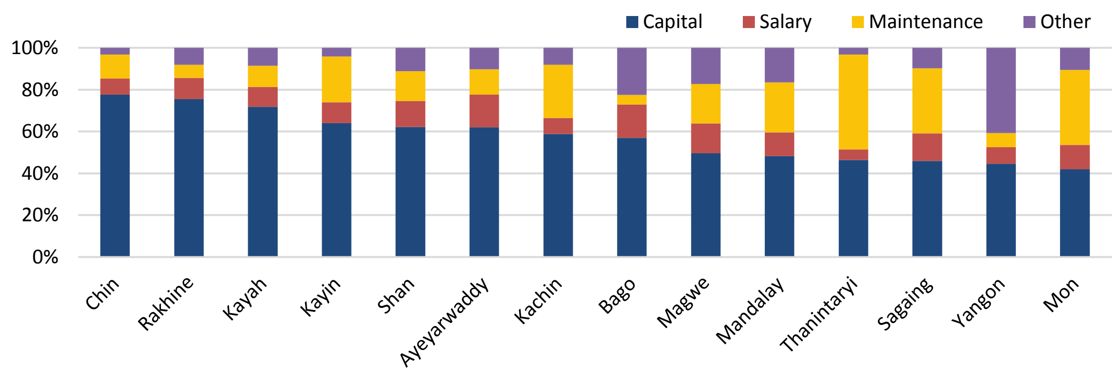
Source: MoPF, RI staff estimates

Figure 19: Growth in expenditure and fiscal transfers
Across 14 states/regions, 2012-2018



44. **The economic composition of sub-national budget expenditure varies significantly across states and regions.** Overall, capital spending is large as a ratio of SNG budgets – with all states/regions spending at least 40 percent of their budgets on capital investments, and as high as 78 percent in Chin state *(Figure 20)*. Maintenance costs vary between 6 percent of the budget in Rakhine state and 45 percent in Tanintharyi region.

Figure 20: Expenditure shares
By economic categories, 2016-17 RE

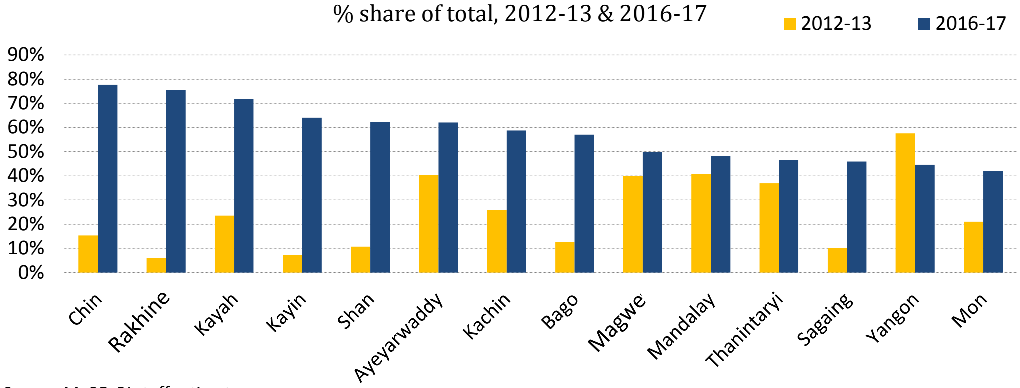


Source: MoPF; RI staff estimates. Note: RE = Revised Estimate (revised figures during fiscal year)

[25] State/region expenditure mandate is broadly guided by the Schedule 2 of the constitution

45. **Capital expenditure has grown as a share of total sub-national spending.** The share of budgeted capital expenditure increased from 36 percent in 2013-14 to nearly 55 percent in 2016-17. The growth in capital expenditure may reflect states and regions increasingly prioritizing infrastructure development *(Figure 21)*.[26] Yangon region is the only SNG to have reduced its share of budgeted capital expenditure during the same period, from 58 percent to 45 percent between 2012-13 and 2016-17 fiscal years.

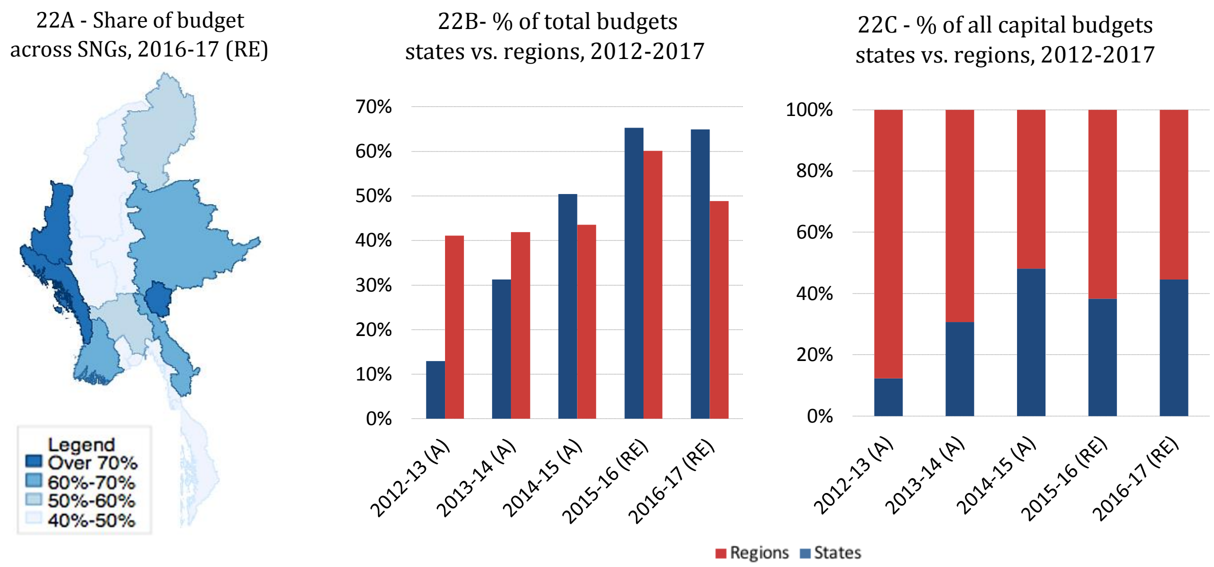
Figure 21: SNG capital expenditure



Source: MoPF; RI staff estimates

46. **Increases in capital expenditure, as a higher proportion of SNG budgets, are more pronounced in Myanmar's states, than in the regions** *(Figure 22)*.[27] This may reflect the need for greater infrastructure spending, such as on roads and bridges, in the traditionally poorer border areas. The capital share of budgets for states has grown from 13 to 65 percent between 2012-13 and 2016-17 FYs (*Figure 22B*). For regions, this figure has grown from 41 to 49 percent during the same period. Regions still account for the larger share (55 percent) of overall capital expenditure across all SNGs in 2016-17 FY, although a significantly lower figure than 88 percent share in 2012-13 FY (*Figure 22C*).

Figure 22: Capital expenditure



Source: MoPF; RI staff estimates
Notes: States are Chin, Kachin, Kayah, Kayin, Mon, Rakhine, and Shan. Regions are Ayeyarwaddy, Bago, Magwe, Mandalay, Sagaing, Tanintharyi and Yangon.
RE = revised estimate (revised figures during fiscal year); A = Actual (internally audited figures)

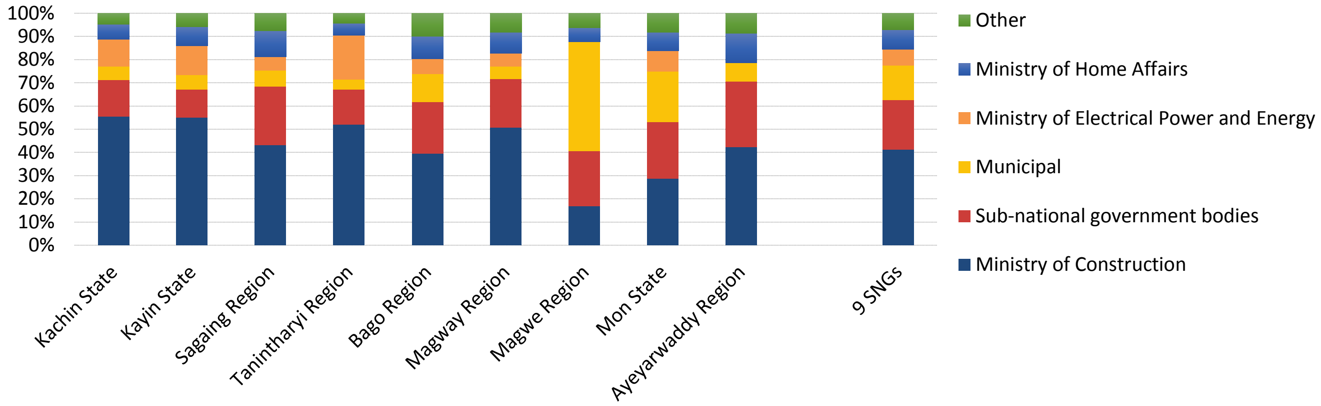
[26] For more on capital expenditure in states/regions see, World Bank, 2017, chapter 2.
[27] It is important to note that the variation between capital and current expenditure ratios could be at least partly driven by ambiguity in accounting definitions – see Shotton et al., 2016, p.62.

47. Budgeted figures may not reflect the true pattern of capital expenditure. The growth may be, at least partially, attributed to accounting norms, and changes in budget classification changes. In practice, classifications across time and ministries are not necessarily consistent with each other. It's not certain there is guidance and definitions of capital expenditure categories (for example, in the form of a manual). On the other hand, capital expenditure may also be underreported. It was suggested that capital investments are broken down into smaller projects and sometimes classified under current accounts for various reasons.[28] These inconsistencies in classification blur the picture of overall sub-national investments and may be a source of potential risk.

48. Road spending dominates sub-national spending *(Figure 23).* Most of it executed by and budgeted under Department of Highways (DOH) within the Ministry of Construction (MOC). A share of municipal budgets is also spent on roads (Winter and Nandar, 2016). More recently, rural road expenditure by the newly established Department of Rural Road Development (also under MOC) has also shifted to sub-national budgets (for more on rural roads expenditure see, Valley et al., 2018). This expanded expenditure mandate for rural roads has not been supplemented by additional funds to sub-national budgets.

Figure 23: Sub-national expenditure

By administrative units, % of total across 9 state/region budgets in 2017-18 BE



Source: OMI; RI staff estimates

Note: Other includes: 1) Ministry of Agriculture, Livestock and Irrigation; 2) Ministry of Health and Sports; 3) Ministry of Natural Resources and Environmental Conservation; 4) Ministry of Planning and Finance, and few other small departments; Sub-national government bodies includes: SNG Cabinet Office, SNG Parliament, Court, Attorney General Office and Auditor Office; Municipal units include Development Affairs Organizations (DAOs) and Mandalay City Development Committee (MCDC); BE = Budget Estimate (enacted by legislature)

49. State Economic Enterprises (SEE): SEEs used to make a significant share of SNG budgets, predominantly through road investments under Public Works – formally under MOC the body was responsible for development, maintenance and operation of the entire trunk road network and accounted for 54 percent of all sub-national spending in 2013-14 (Dickenson-Jones et al., 2015, p.34). The government has since reformed Public Works into government departments, with DOH being the largest.[29] Currently, the only sizable SEE to appear on SNG budgets is Electricity Supply Enterprise (or Electricity Distribution Work) under the Ministry of Electrical Power and Energy, which covers as high as 19 percent of the 2017-18 budget estimate in Tanintharyi.

50. Expenditure by cabinet offices: Sub-national government bodies account for about 21 percent of expenditure in a sample of 9 states/regions – nearly all of it budgeted under the sub-national cabinet offices. Available budget formats provide aggregate figures only, making it hard to identify what the money is spent on. Although, budgets for Bago and Kayin suggest that most of it is allotted to irrigation and agriculture projects (Renaissance Institute, 2017-2018).[30] Interviews with local officials suggest that the new expenditure on rural roads is also recorded under the cabinet budgets. It's unclear why this expenditure is not recorded under the budgets of their relevant

[28] A remark from Pyithu Hluttaw Member of Parliament suggested this is done to avoid the legally mandated oversight of capital investments by Hluttaw members. It was also suggested that smaller value projects are more likely to get approved

[29] Under Ministry Resolution #21/2015 issued on 31 March 2015, Public Works split into separate government departments

[30] 57 and 28 percent of Ayeyarwaddy's cabinet office's capital expenditure during the 2018 interim budget was spent on irrigation and electricity projects, respectively

executing departments. Such practices create challenges to oversight, transparency, and accountability of expenditure. It also blurs the functional perspective of expenditure, making it hard to more accurately estimate what share of the budget is spent on roads, electricity or agriculture. Anecdotal evidence also suggests that cabinet offices get "requests" from Union line ministries to budget for specific items and projects, potentially those not formally recognized as SNG mandate under schedule 2 of the constitution. It's not clear whether this reflects a pattern or a few isolated instances.

51. **Most of the capital expenditure is budgeted under MOC, followed by sub-national government bodies and Municipal offices *(Figure 24).*** The former's dominance of the capital budgets across a sample of 9 states/regions is not surprising given the prominence of road spending in local budgets. Interestingly, nearly a quarter of total capital budgets in the same sample is recorded under the sub-national cabinet offices, which spend nearly half of their budgets on capital expenses *(Figure 25)*.

Figure 24: Capital expenditure breakdown
By ministry as % of total capex, 2017-18 BE

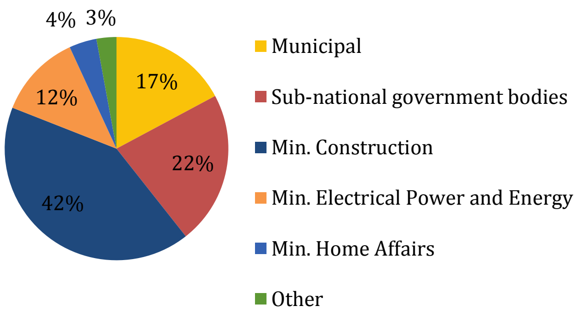
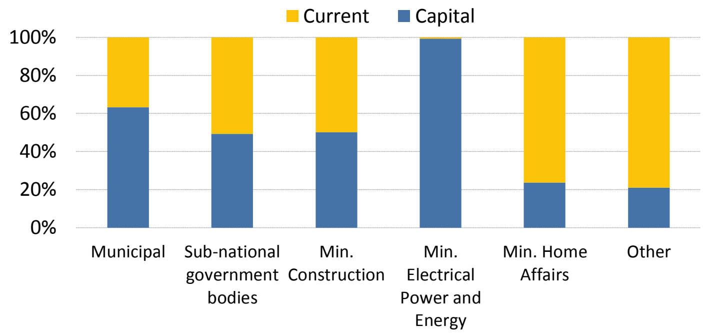


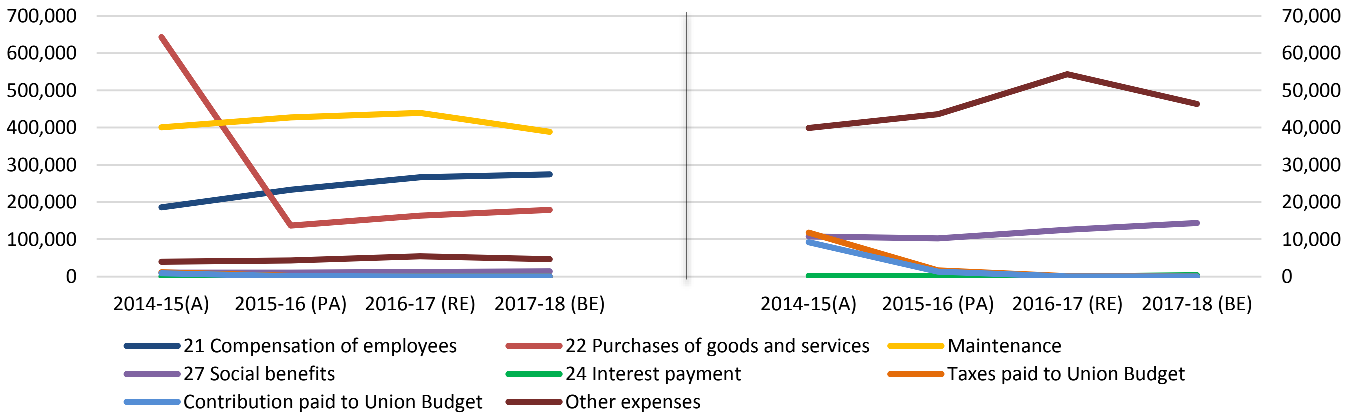
Figure 25: Expenditure breakdown
By type as % of total Ministry expenditure, 2017-18 BE



Source: OMI, MoPF; RI staff estimates.
Notes: Across 9 states/regions: Kachin, Kayin, Sagaing, Tanintharyi, Bago, Magwe, Mandalay, Mon, and Ayeyarwaddy; BE = Budget Estimate (enacted by a legislature).

52. **Current expenditure breakdown and trends:** Total current expenditure across SNGs has decreased from 1,340 billion Kyat to around 950 billion Kyat between 2014-15 and 2017-18 fiscal years. Most of this decline can be attributed to a decline in "purchases of good and services" (*Figure 26*). Around 40 percent of all sub-national current expenditure in 2017-18 FY is budgeted as "maintenance", followed by 29 percent as "salary payments" and 15 percent as "purchases of goods and services".

Figure 26: Sub-national current expenditure
Total of 14 states/regions in millions of Kyat, by economic classification, 2014-2018



Source: MOPF; RI staff estimates
Notes: Numbers in the legend approximate IMF GFS codes: <u>Purchases of goods and services</u> include expenses on gasoline, lubricant, engine oil, travel and hosting expenses, as well as SOE related budget items like operational expenses, administrative and research expenses, and sale and distributional expenses. <u>Social benefits</u> include employment related social benefits like educational trainings, social assistance, and social security. <u>Taxes paid to Union</u> are related to commercial and income taxes of SOEs. <u>Other expenses</u> include other unclassified expenditure on land projects, irrigation, dam, lake, drainage, and other agricultural water supply works.
BE = Budget Estimate (enacted by legislature); RE = Revised Estimate (revised figures during fiscal year); PA = Provisional Actual; A = Actual (internally audited figures).

53. **Expense accounting**: The boundary between maintenance, purchases of goods and the acquisition of fixed nonfinancial assets (capital expense) may be blurry in practice. Experience from working with budgets across the country suggests that classifications across time and ministries are not always consistent with each other. For example, machinery and equipment forming an integral part of a building could be included as either maintenance or capital expense. Equally, goods acquired for use as fixed assets or valuables, for use in capital formation under a certain Kyat threshold could be classified under current accounts, rather than capital.

D. Institutions and management

D.1 Budget execution and credibility

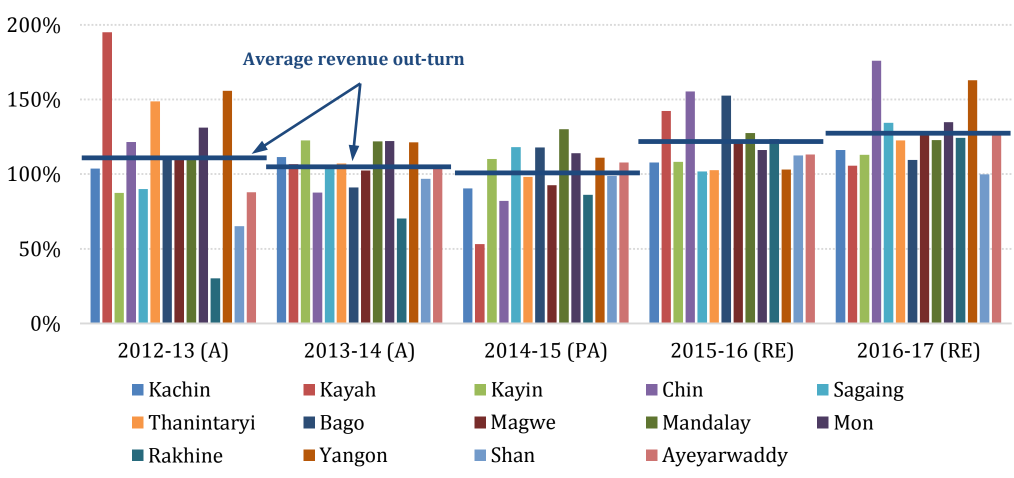
54. Effective public service delivery and successful investment are more likely when ministries and their departments and enterprises spend the amounts approved for them in the budget. Budget execution, particularly of the capital expenses, is cited as the main reason for shifting the budget calendar year, allowing for more time within the budget cycle before the rainy monsoon season. While weather-related constraints could slow down the execution of investment projects, there could potentially be other reasons for deviations from the approved budget. Poor execution of the budget could also be linked to cash management issues, procurement practices, lack of fiscal responsibility, poor quality of data and others.

55. **Revenue out-turns have deviated far from budgeted amounts over the 5 year period *(Figure 27).*** Average deviations (in either direction) from the budgeted amounts, across 14 SNGs, have halved between 2012-13 and 2015-16 FYs, from 30 to 15 percent. They have since increased to around 27 percent in 2016-17. The direction of misestimation has changed over the years, with at least 4 states/regions over-estimating revenue between 2012-13 and 2014-15 FYs (7 in 2014-15). During the more recent, 2015-16 and 2016-17, fiscal years all states/regions have been consistently underestimating their revenues.

56. **Initial budgetary targets for revenue are calculated by each of the revenue collecting ministries.** No routine revenue forecasts beyond the annual targets are performed. Further examination is required to explain these large misestimations. It could be partially attributed to incentives of reaching internal ministry revenue targets and setting of low targets in the first place.

Figure 27: Own-revenue estimation and budget credibility

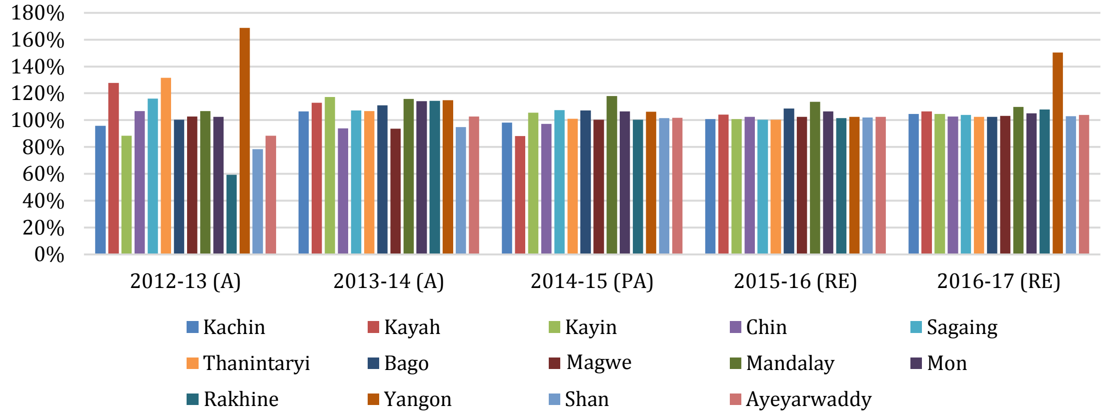
Sub-national revenue as % share of budgeted (BE) - excluding the general-purpose grant transfers and Union shared taxes, 2012-2017



Source: MoPF; RI staff estimates. Notes: BE = Budget Estimate (enacted by legislature); RE = Revised Estimate (revised figure during the fiscal year); PA = Provisional Actual; A = Actual (internally audited figures).

57. **Execution rates have improved with MTFF reforms.** Average deviations from budgeted expenditure amounts have declined since 2012-13 FY *(Figure 28)*. The average weighted deviation across states/regions was around 18 percent in 2012-13, with five states/regions underspending relative to their budgeted figures. The picture has improved with a shift towards a more rules-based intergovernmental fiscal system, with average weighted deviations declining to 3 and 8 percent in 2015-16 and 2016-17, respectively. According to revised estimates, in 2016-17 all states/regions with the exception of Yangon have overspent within 10 percent of the approved budget. Yangon's spending of 50 percent over the approved budget in 2016-17 has been compensated by, and possibly influenced by, unbudgeted revenue surpluses the same year (*Figures 27 and 28*).

Figure 28: Budget execution rates
Sub-national expenditure as % share of budgeted amount (BE), 2012-2017



Source: MoPF; RI staff estimates. Notes: BE = Budget Estimate (enacted by legislature); RE = Revised Estimate (revised figure during the fiscal year); PA = Provisional Actual; A = Actual (internally audited figures).

58. There is scope for more analysis of budget credibility and expenditure controls. Aggregate budget execution figures may hide deviations across ministries and departments. Moreover, while the aggregate may appear close to total budgeted amounts, the actual target and cost of expenditure could potentially differ from what is in the budget laws approved by the legislature. Although expenditure controls are not explored in this brief, they are an important element of technical support to the government. Medium-term plans and annual budgets may be less meaningful if expenditure cannot be controlled during execution. A lack of effective expenditure controls may undermine fiscal discipline as well as the trust in a government's stewardship of public resources.

D.2 Cash management and change to the fiscal calendar

59. Cash management refers to having the right amount of money at the right place and the right time for the government to meet its obligations. It naturally relates to the budget execution, if cash is not there to pay suppliers and contracts projects may be delayed, face cost overruns or even cancellation. In the context of Myanmar SNGs, the challenge may arise when there is a timing mismatch between revenue (tax and non-tax revenue, transfers, and potentially borrowing) and cash outflows in the form of salaries, operational expenditure, acquisition of assets, and potentially debt repayments. This subsection provides an introductory overview of cash management.

60. **SNG Fund Accounts**: State/Region funds are consolidated at the State/Region Fund Account (FA) within the Myanma Economic Bank (MEB). According to Myanmar's PFM regulations, the Myanmar Central Bank is responsible for providing banking services to the government and it devolves some operational responsibility to the MEB, which uses its network of branches to manage accounts of the general government (Article 187). The state/region governments are in turn responsible for management of these accounts in accordance with the respective enacted budget law (PFM regulations, Article 11). In practice, the state/region budget departments provide a degree of oversight of cash flows through its internal reports. It also contributes to cash management by facilitating the movement of the Union transfers. Every department that appears on a sub-national budget has its own account at MEB. The exact nature of the relationship between line ministry departments and MEB, sub-national cash flows, cash management and forecasting is not explored in this report and may require further examination.

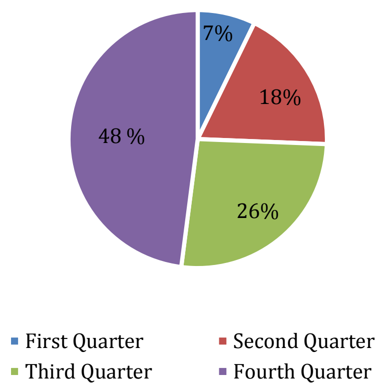
61. **Cash reporting – budget department:** Each department under the state/region FA submits monthly cash reports to relevant state/region budget departments. The latter aggregates these reports and sends its own monthly cash flow reports to the Union Treasury department, to the relevant state/region cabinet, minister of finance and auditor general's office. These reports include opening and closing balances by administrative units and type of expenditure (e.g. current, capital, finance, interest, and loss).

62. **Cash reporting – MEB**: MEB provides its own monthly reports to the Central Bank of Myanmar and the relevant state/region budget department. These reports include a number of statements: monthly cash reports on payments, opening and closing balances for State Economic Enterprises (SEE), development committee (municipal office), ministries and departments, and other account.[31]

63. **Cash surpluses:** Any cash surpluses at the state/region fund accounts are recalled to the so-called General Reserve Fund (GRF) at the end of the fiscal year. These surpluses stay in local state and region fund account to be used during the following budget cycle. As mentioned earlier in section B2, cash balances also interact with the general-grant transfer. Surplus amounts in GRF at the end of the fiscal year are subtracted from the total estimated grant amount for the following fiscal year.

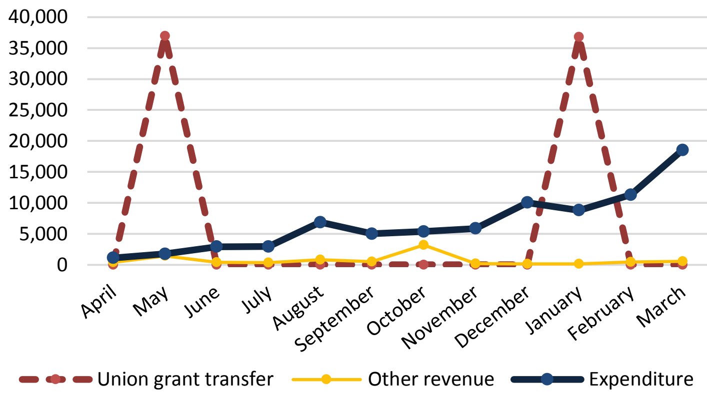
64. **Cash flows and budget execution:** A brief look at Kayin's cash inflows and outflows in 2016-17 shows that nearly half of the total budget was executed in the final quarter *(Figure 29)*. The most significant inflows happen twice a year, as part of the general-purpose grant transfer. Given the timing of transfer disbursement during the 2016-17 fiscal year, nearly half of the budget resources were made available 3 months before the end of the fiscal year *(Figure 30)*. It's hard to identify whether budget execution is significantly affected by late disbursement of the fiscal transfers from the Union Government or is driven by other considerations.

Figure 29: Budget execution
By quarter as a share of total, Kayin budget, 2016-17



Source: Kayin Budget Department; RI staff estimates

Figure 30: Monthly revenue and expenditure
Kayin State, 2016-17, million of Kyat



65. **Fiscal calendars:** Since cash management relates to the timing of inflows and outflows of cash it also interacts with budget and tax calendars. Tax and budget calendars in Myanmar used to be identical, from April to March. Starting in October 2018 Myanmar will shift its budget calendar by 6 months, to begin October and terminate in September. Currently, the tax calendar (outside of SEEs) is expected to remain the same, April to September *(Table 6)*. Different calendars are not uncommon around the world. However, changes to either require some consideration.

Table 6: Budget and tax calendars

April	July	October	January	April	July	October	January	April	July	October
Tax calendar 2018-19				Tax calendar 2019-20						
Interim budget		Budget calendar 2018-19				Budget calendar 2019-2020				

66. **Tax calendar:** If tax policy changes, under the new budget calendar, have to be approved alongside the budget law (October), the delayed start of the following tax calendar may create incentives for taxpayers to shift their payments from one tax period to another, and hence challenging the government's cash forecasting and balance. On the other

[31] For statements in Bago, other account included balances for the Department of Rural Road Development (DRRD) and the Regional Government Office (cabinet)

hand, aligning the tax and budget laws may impose a significant burden on the tax administration in shifting its processes and educating the broader public about changes to tax payment dates. If poorly managed, this could result in loss of tax revenue. Given SNGs low reliance on local tax sources, this is more likely to affect them in indirect ways, for example, through Union tax sharing and possibly other transfers.

D.3 Fiscal reporting and transparency

67. Fiscal transparency is a critical element of effective fiscal management. It relates to comprehensiveness, clarity, reliability, timeliness, and relevance of public reporting on the past, present, and future state of public finances. Fiscal transparency is critical for effective fiscal management and accountability. It helps ensure that governments have an accurate picture of their finances when making economic decisions, including of the costs and benefits of policy changes and potential risks to public finances (IMF, 2018). It also provides legislatures, markets, and citizens with the information they need to hold governments accountable.

68. **Availability:** Sub-national governments have made progress but significant space remains to improve public access to key fiscal information. Myanmar's sub-national fiscal transparency has made progress in recent years but is still lagging behind that of the Union Government.[32] Most of the sub-national annual planning and budget laws are publicly available at Myanmar Law Information System developed by Union Attorney General Office; however, not across the whole country and only in the middle (or later) of the budget calendar.[33] There is currently no public access to sub-national in-year budget reports, year-end financial statements, external audit reports, or information on large contract awards. Equally important, there are no forward or policy focused public documents stating a government's budgetary objectives, policy intentions and projections with respect to public finances.

69. **Comprehensiveness:** Sub-national annual budgets, as contained in the state/region budget Laws, follow accounting classification in line with the uniform countrywide system; however, are not fully consistent with modern classification structures. The sub-national government budget laws describe the projected values of revenue and expenditure in aggregated headlines by administrative categories (e.g. ministries and departments). Here too, there are opportunities for improvements. For example, by incorporating more extensive information on geographical resources allocation by administrative units, and by functional or economic categories. On the revenue side, a more specific breakdown of major own sources of revenue: non-tax current revenue (which makes the bulk of own-source revenue) as well as tax receipts. Moreover, activities of several key administrative units within the SNG budgets aren't well covered. This includes expenditure undertaken under the state/region cabinet offices, or both expenditure/revenue accounts of the municipal offices (especially those of YCDC/MCDC).

70. **Clarity** More recently, SNGs have started publishing citizen's budgets. 6 states/regions have published at least 1 citizen's budget since 2016.[34] These citizen's budgets present information from enacted budgets in a more accessible language, incorporating visual elements to help non-specialist readers understand the information.

71. **Reliability and relevance:** Aggregate figures alone may distort the fiscal picture, and lack accuracy in representing government operations and finances. Unreliable information may limit the public's ability to hold government to account. Moreover, unreliable reporting may be disadvantageous to the government itself. As noted earlier, classifications across time and ministries are not necessarily consistent with each other. This relates not only to disclosure of information to public but also to internal reporting, potentially blurring the overall sub-national fiscal picture for higher level offices. Hence, obscuring the accurate picture of investments, risks and costing of future fiscal obligations. Such weaknesses in transparent reporting can also effect the government's ability to effectively evaluate the quality of its expenditure, and limit the use of evidence in policy making.

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[32] In recent years, the Union Government published a series of budget-related documents, some of which include: the annual budget law, budget speech by Finance Minister, Citizen's budget, quarterly, mid-year and year-end reports on the MOPF website: www.mopf.gov.mm

[33] https://www.mlis.gov.mm/

[34] Kayah State (for 2017-18), Kayin State (for 2017-18 and 2018 interim), Tanintharyi Region (for 2017-18 and 2018 interim), Bago Region (for 2017-18 and 2018 interim), Mon State (for 2017-18), Ayeyarwaddy (for 2017-18)

Box 3: Hluttaw

Parliaments' main roles are to review and debate the government's draft ex ante budget and to authorize spending to implement the annual budget plan. As with the principles of transparency, here too, Hluttaw requires timely, comprehensive and relevant information. In the past state/region Hluttaws have had very little time to approve their budgets, sometimes just a few days (Shotton et al., 2016). The revised budget calendar for 2018-19 fiscal year may offer more time for Hluttaws to review and approve the budgets. According to the new sub-national budget calendar, the draft budget is to be submitted to sub-national Hluttaws between the 3rd week of April and the 1st week of May, to be approved by October 2018. This is in line with international good practice, with submission of the draft annual budget to parliament 2–4 months in advance of the beginning of the new fiscal year (IMF, 2010). As a result, some state/region Hluttaws have had more time to review their budgets, ranging from around 1 to 2 months.*

The quality of information submitted for review appears to differ across the country. Budget proposals typically involve aggregated budget data by administrative unit and type of account (e.g. current vs. capital). Project level proposals are also submitted, although it's unclear whether this is done systematically.** Most budget data is submitted in paper form, aggregated across multiple physical stacks of books. Lack of access to electronic formats imposes additional time burden and challenges the quality of review Hluttaws can provide. Arguably, it also narrows the scope for treatment of budgets as a regional policy document, shifting a larger focus on lobbying over individual projects.

* For example, Bago budget department submitted the proposal to its regional Hluttaw on March 31, 2018 and Hluttaw's Public Account Committee submitted its findings to the regional Hluttaw on June 4, 2018. In Mandalay, the submission of budget proposals from budget department happened on March 31, 2018. In Ayeyarwaddy, the budget department submitted the budget proposal on May 29, 2018, allowing its Hluttaw nearly a month for review.
** According to publicly available documents, it appears that Yangon Hluttaw have had little information surrounding the region's financial revenue and expenditure.

E. Fiscal risks

72. Fiscal risk can be characterized as deviations of fiscal outcomes from what was expected at the time of the budget or other forecasts. SNGs play a relatively small role in general government finances but may still face and be a source of fiscal risk themselves. Ultimately, given their reliance on Union financing, fiscal risks faced by SNGs are contingent liabilities to the Union Government. International experience provides multiple examples of sub-national government bailouts by the central government. Estimates of fiscal costs associated with the realization of contingent liabilities from sub-national governments in emerging market economies are around 4 percent of GDP, and as high as 12 percent of GDP in Brazil in 1997 (Bevilaqua, 2002; Elva et al., 2016).

73. **Budget deficits**: The risk of financing unanticipated SNG deficits has been, at least to a degree, offset by introducing a rules-based approach to intergovernmental financing. It doesn't completely eliminate the possibility of SNGs going over the allotted ceiling and it may be too early to tell, but early signs suggest better fiscal discipline (*Figure 28*). Sub-national debt does not appear to be a major source of risk, given a near absence of sub-national borrowing. Although, a potential increase in borrowing by Yangon and Mandalay may introduce some risk.

74. **Public-private partnerships**: One source of fiscal risk could emanate from liabilities from public-private partnerships (PPPs). They often entail fiscal obligations not captured in the fiscal account: for example, government guarantees for concessionaire borrowing, minimum revenues, or exchange rate losses (Cebotari et al., 2009). As the appetite for PPPs is starting to grow in major urban centers it's important to understand long-term fiscal implications of these arrangements. Contractual guarantees can become a source of explicit contingent liabilities to state/region governments.[35] Limited information on contingent liabilities and future costs of investments could harm management of long-term fiscal sustainability.

75. A large share of the highway network in Myanmar operates under the Build-Operate-Transfer (BOT) arrangements. SNGs play an important role in financing the highway network (Valley et al., 2018), although it's unclear if they would also assume associated liabilities. The nature of these BOT contracts are not publicly disclosed, hence it's hard to tell whether they could be a source of concern.

76. **Disclosure of fiscal information**: Limited budget comprehensiveness and transparency could be a source of risk in itself, by reducing the Union Government's ability to monitor sub-national governments' fiscal position. The budget classification system (especially of capital investments) and potential inconsistencies in internal reporting (e.g. from SNG to Union) may restrict the central government's ability to gather a consolidated view of fiscal risks. This could leave the general government open to blind spots like payment arrears or, on a longer-term horizon, possibly debt defaults. Furthermore, limited availability of information to the public limits scrutiny, opening risks for corruption, providing potential opportunities for leakages, and inappropriate use of funds.

77. **Fiscal transfers:** From the perspective of sub-national governments, their heavy reliance on central transfers could be a risk in itself. An event that prompts contraction of fiscal transfers may hurt the sub-national governments' ability to deliver mandated services. This is not a major risk given the SNGs relatively low share of total public expenditure. However, it may become larger if SNGs expenditure mandates are expanded without the adequate increase in own-source revenue collection.

[35] For example, substantial obligations on PPP contracts in power plants and roads became due in Indonesia, Malaysia, and Thailand during the Asian crisis.

F. Concluding remarks

Myanmar's new sub-national governments are playing an increasingly important role in management of public finance, service delivery, and ultimately economic growth. States/Regions face poor infrastructure, its citizens low access to services, and governments remain underfunded. Successful and sustainable solutions will require a better understanding of local systems. This report contributes to that knowledge by offering the most recent and comprehensive outlook on sub-national public finances across Myanmar.

Revenue: Few will argue against the need to improve sub-national revenue collection. Prior research has shed light on administration, policy and legal basis of taxes like property tax (McDonald and Hein, 2017), the importance and context of local non-tax revenue, like municipal auction licenses (Bissinger, 2016). These provide examples where, at least, some positive steps can be taken today. However, Myanmar's sub-national revenue collection presents many other sources, both formal and informal. Some are less understood but are important to broader tax reform and maximizing the sub-national revenue space allowed within the constitution. Intergovernmental transfers play a central role in sub-national revenue. So far, they have helped support macro-fiscal objectives, while maintaining a degree of resource equity across the country. They may also offer a deeper scope as a policy tool while upholding the rules-based approach and the emphasis on improving the horizontal resource equity. One of the outcomes of decentralization is that it has fostered experimentation, including on local revenue mobilizatoin.[36] Their evaluation and knowledge-sharing can play an important role in building policy-relevant evidence and sustaining the reform momentum.[37]

Expenditure: Focus on the expenditure side has primarily been over the size of sub-national budgets and total allocation across sectors. This in itself is a step forward as budget information becomes more available and different levels of government build more clarity in their expenditure responsibilities. Going forward, it's important to look at the quality and efficiency of spending. So far, this has been held back by limited access to budget data, made worse by inconsistent and narrow reporting mechanisms. Without transparent and reliable data on budgetary inputs, evidence-based policy-making and public dialogue underpinning the government's most important policy document, its budget, will be constrained. There is space in building a better understanding of sub-national budgetary inputs and their link to socioeconomic outcomes. Better data (and public access to it) will help enrich the debate surrounding public money. This would allow scrutiny of not only how much the government spends on agriculture or roads, but whether it spends it effectively: that is on projects that bring the most value per spent Kyat, and if it is spent diligently.

Donor support: Donor assistance has helped make progress in public financial management at both levels of government. This includes better forecasting, more sustainable and transparent use of funds. Their support has facilitated, what arguably are, some of the bigger steps the government has made towards transparency in half a century. In that spirit, there is continued demand for support of budget transparency initiatives (e.g. citizen's budgets). It is also important to draw more attention on less visible elements underpinning the stewardship of public money. This includes the need for standardization of reporting formats, bringing classification practices in line with those of the Union Government and modern standards. Crucially, this also includes efforts to build capacity within the civil service. Budget departments are undergoing an important institutional transformation. They are moving away from a clerical-focused agency with emphasis on aggregation of documents, to the one with more analytical and policy-oriented focus. This transition requires a new set of skills: for example, a better grasp of technical tools in treating and communicating of data as well as analytical tools to identify what data is useful for monitoring of quality of expenditure, fiscal risks etc. Improved information management of public finances will also help support the new democratic instructions, ensuring parliaments are offered more relevant and timely information to provide appropriate checks on the executive. While such support may appear intangible, it will be crucial in supporting Myanmar's democratic transition and helping ensure that government funds, along with donor funds, are spent transparently and effectively.

[36] An example of such experimentation includes the sale of slaughter licenses in Shan state (Bissinger, 2016).

[37] Recently, horizontal learning workshops across municipal offices have been facilitated by Renaissance Institute and The Asia Foundation. Although still in their early stage, such events could help promote evidence-based policy making across municipal governments in Myanmar.

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Appendix

Table A1: Schedule Five and budgeted sub-national taxes

	Schedule Five of the Constitution – taxes collected by Region or States
1.	*a/ Land revenue
2.	*a/ Excise revenue
3.	*a/ Water tax and embankment tax based on dams and reservoirs managed by the Region or State and tax on use of electricity generated by such facilities managed by the Region or State
4.	*b/ Toll fees from using roads and bridges managed by the Region or State
5.	*c/ - Royalty collected on fresh water fisheries *c/ - Royalty collected on marine fisheries within the permitted range of territorial water
6.	Taxes collected on vehicles on road transport and vessels on inland waterway transport, in accord with law, in a Region or a State
7.	Proceeds, rent fees and other profits from those properties owned by a Region or a State
8.	Fees, taxes and other revenues collected on services enterprises by a Region or a State
9.	Fines imposed by judicial courts in a Region or a State including Region Taya Hluttaw or State Taya Hluttaw and taxes collected on service provision and other revenues
10.	Interests from disbursed by a Region or State
11.	Profits returned from investment of a Region or State
12.	*d/ Taxes collected on extraction of the following items from the forests in a Region or a State: - Taxes collected on all other woods except teak and other restricted hard woods; - Taxes collected on firewood, charcoal, rattan, bamboo, bird nests, cutch, thanetkha, turpentine, eaglewood and honey-based products
13.	*e/ Registration fees
14.	Taxes on entrainments
15.	*f/ Salt tax
16.	Revenue received from the Union Fund Account
17.	*e/ Contributions by development affairs organizations in a Region or State concerned
18.	Unclaimed cash and property
19.	Treasure trove

* Items identified as taxes on state/region budgets
a/ relates to land, excise and embankment taxes collected by General Administration Department (GAD)
b/ could relate to wheel tax, which in this instance is a road fee collected by the municipal offices. Collection of fees for the use of non-municipal highways are collected by a different agency. Interviews with government officials suggest that some of the tolls on state/region highway roads are collected as non-tax fees by the Road Transport Administrative Department, which does not feature on state/region budgets.
c/ relates to fisheries tax budgeted at state/region level
d/ relates to tax on the extraction of forest products budgeted at state/region level
e/ relates to wheel tax, collected by the municipal offices upon registration of road vehicles
f/ could relate to mineral tax, collected by GAD and budgeted at state/region level
e/ relates to property tax, collected by the municipal offices

Table A2: Budget categories and administrative units

Category	Administrative units	Administrative sub-units (departments)
Sub-national government offices	Region and state government bodies	State/Region Cabinet
		State/Region Hluttaw (Parliament)
		Courts
		Legal Offices (Attorney Offices)
		Accounting Offices (Auditor Offices)
Ministries	Ministry of Home Affairs	General Administration Department
		Department of Special Investigation
		Fire Services Department
	Ministry of Agriculture, Livestock and Irrigation	Department of Agriculture
		Department of Fisheries
		Livestock Breeding and Veterinary Department
		Department of Bees
		Cooperative Department
		Small-scale Industries Department
	Ministry of Natural Resources and Environmental Conservation	Environmental Conservation Department
		Department of Forestry
		Department of Mines
	Ministry of Electricity and Energy	Electricity Supply Enterprise *
	Ministry of Health and Sports	Department of Sports and Physical Education
	Ministry of Planning and Finance	Planning Department
		Central Statistical Organization
		Budget Department
		Cargo Handling (Management) Office
	Ministry of Construction	Department of Urban and Housing Development
		Department of Highways
Municipal offices	Development Affairs Offices	Development Affairs Offices
	Yangon City Development Committee	
	Mandalay City Development Committee	
	Naypyitaw City Development Committee	

Notes: Categorization of some departments may differ from one state/region to another and across years. The list above is the most recent and common representation.
* State-owned Economic Enterprise

About the Renaissance Institute

The Renaissance Institute (RI) is a policy institute focused on assisting the reform of Myanmar's economy. RI provides analytical support, assists government capacity building and facilitates communication between Myanmar's government and other relevant stakeholders focused on revitalizing Myanmar's economy. In particular, the Renaissance Institute is supporting key policy priorities of the current government: fiscal decentralization, and public financial management reform.

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