

Overview Report of Development Finance in Myanmar¹

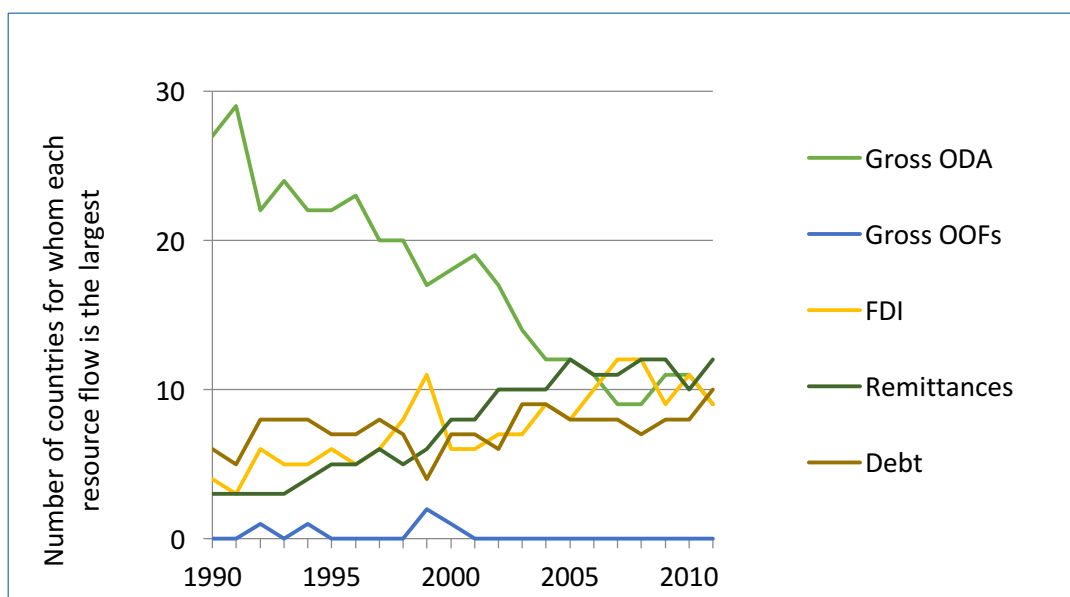
Section 1. Introduction

UNDP has produced overview of the current state of development finance in Myanmar. It presents a short summary on sources of finance for Myanmar's development (covering both domestic and international sources), and identifies potential measures for improving the management of those resources.

Understanding the changing nature of flows in the region, and early indications of flow patterns in Myanmar, is a first step in helping Myanmar better manage the financing behind its development plans. Adequate development finance will be essential to ensure Myanmar achieves its development objectives, and the development finance landscape is changing in Asia and the Pacific region, with growing potential for mobilizing domestic resources.²

In the region, official development assistance (ODA), even while it increases, is becoming less significant compared with other financial flows. In terms of volume, ODA in Asia and the Pacific grew by more than a third between 1990 and 2012, from US\$ 31.0 billion to US\$ 42.1 billion. However, in terms of the proportion, ODA is no longer the largest flow to countries in Asia and the Pacific region. In 1990, ODA accounted for the largest proportion of international finance to 27 countries in the region but in 2011, ODA was the largest flow only to 9 countries. Meanwhile, other sources such as remittances and Foreign Direct Investment (FDI) have been increasing. This means that, in Myanmar, non-ODA flows could also grow faster than ODA.

Figure 1. The number of Asia-Pacific countries for which each international resource flow was the largest received in each year, 1990-2011



Source: UNDP Asia-Pacific Effective Development Co-operation Report 2014, Investments to End Poverty (2014)

¹ This Overview Report was developed by a group of Development Effectiveness experts from UNDP Myanmar and UNDP Regional Hub in Bangkok. The views expressed in this Overview Report are the authors' and do not represent those of UNDP.

² UNDP Asia Pacific Effective Development Cooperation Report (2013)

In Myanmar, there has not been an assessment of the overall flows of development finance, as development cooperation discussions in Myanmar have been focusing on setting development priorities and reviewing development achievements.³ However, as the 100 Day Plan for the Ministry of Finance emphasizes, better management of development finance will help translate these development plans and objectives into tangible development outcomes.⁴

The objective of this Overview Report of Development Finance in Myanmar is to introduce the concept of a Development Finance Assessment to Myanmar. It would ideally be followed by a more in depth assessment that covers all financial flows, and in greater detail.

Section 2 of the report notes the basic methodology. Section 3 includes the overview of selected Development Finance flows in Myanmar over the past five years- covering changing volume over time; the characteristics of flows (sectors, distribution, concessionality, volatility, etc.), and challenges in institutional management. Section 4 briefly discusses the prospects for development finance over the next five years, and Section 5 makes suggestions for a full Development Finance Assessment.

³ Including the bi-annual Myanmar Development Cooperation Forum, bi-monthly meetings between the Foreign Economic Relations Department of the Ministry of Planning and Finance and the Development Partners Working Committee (DPWC), 17 Sector Working Group meetings, the bi-monthly Development Partners Group meetings.

⁴ <https://www.facebook.com/myanmarfirst100days/timeline>

Section 2. Methodology

Development finance refers to a number of different types of financial resources.⁵ Due to the limited time and data available for a rapid assessment, this Overview Report focused on eleven different domestic and external sources (see Table 1).

Table 1 Sources of Development Finance Considered in this Report

Domestic	Government revenues (including tax and non-tax) Revenues from natural resources Public debt	Domestic private investment Local Non-Governmental Organizations (NGOs)
External	Official Development Assistance (ODA) South South Cooperation Climate finance	Foreign Direct Investment (FDI) Overseas Remittances International NGOs
	Public	Private

The report mainly relied on the findings from existing data such as Ministry websites, the Organisation for Economic Co-operation and Development (OECD), financial institutions' reports and databanks, Myanmar's Aid Information Management System (Mohinga) and Myanmar Information Management Unit (MIMU) website. When necessary, this Report used findings, figures, and graphs borrowed directly from the original sources.

It focused on providing an overall picture of development finance in Myanmar, rather than presenting an in-depth financial and institutional analysis.⁶ Findings from this rapid assessment were reviewed by the relevant government departments and a pool of selected international experts. The scope of the Report was guided by an Oversight Team, which consisted of focal points from more than 20 government departments and the Parliament office/International Relations Department, under the leadership of the Permanent Secretary, Ministry of Planning and Finance.

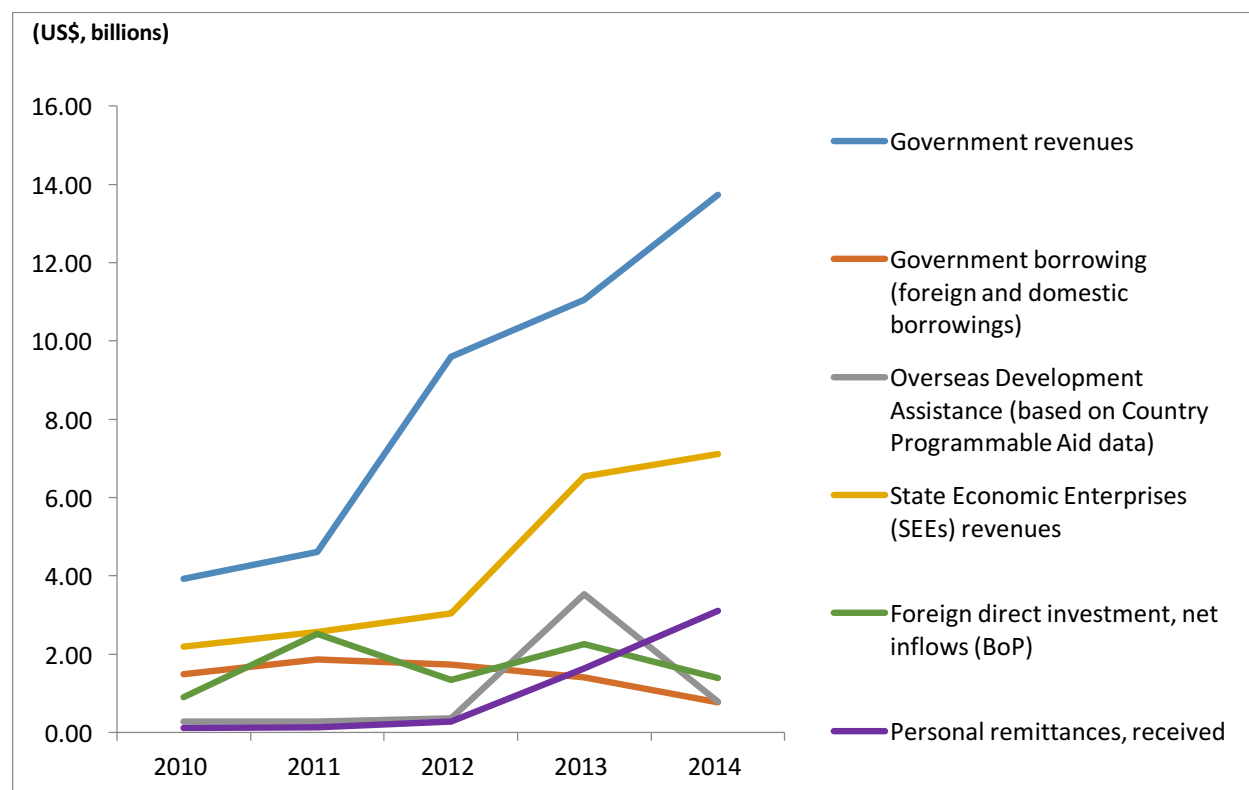
⁵ See Annex 1 for a Glossary.

⁶ In particular, the 2015 Public Expenditure Review, an in-depth review of domestic resources, is available under the Public Financial Management initiative, technically led by the World Bank.

Section 3. Overview of Development Finance in Myanmar 2011 - 2015

Of the different financial flows considered in the report, government revenues appear to be the main source of income in Myanmar. Of external resources, whilst official development assistance is increasing, it appears that foreign direct investment and remittances sent from abroad are overtaking it as the key sources of development finance.

Table 2 Inflows of Development Finance to Myanmar (2010-14)⁷



Note:

Government revenues: Includes tax revenues, transfers from State Economic Enterprises (SEEs) to Union government, SEE receipts net of transfers to Union government, other nontax revenue (eg. sales of telecom licenses and signature bonuses from gas production sharing contracts for on- and off-shore blocks). IMF DATA.

Government borrowing: Includes foreign and domestic borrowings. World Bank, 2015 Myanmar Public Expenditure Review.

Official Development Assistance: Uses Country Programmable Aid (CPA) data. CPA is the portion of aid that providers can programme for individual countries or regions, and over which partner countries could have a significant say. Developed in 2007, CPA is a closer proxy of aid that goes to partner countries than the concept of official development assistance (ODA). OECD.

State Economic Enterprises (SEEs) revenues: World Bank, 2015 Myanmar Public Expenditure Review.

Foreign Direct Investment: UNCTAD Stat.

Remittances: World Bank World Development Indicators.

Government revenues are the largest sources of funding, with tax revenues and State Economic Enterprises (SEEs) being the main sources of the country's income. However, whilst they have been

⁷ For the flows of the public revenues, government borrowing, SEE revenues and domestic private investment, the exchange rate applied is: US\$1.00 = MMK 1,031.5 (source: IMF exchange rate effective as of end 2014)

increasing, yields from Myanmar's major taxes are significantly lower in relation to GDP than in many other developing countries in the region. Receipts from SEEs account for around a quarter of general government revenue, however the institutional management of SEEs is complex, and the lack of transparency poses a challenge to effective data collection about revenue flows, especially in the case of military enterprises.

Other domestic and external sources contribute significantly, but are harder to measure. Natural resources contribute significantly to the government budget, but fully estimating and realizing revenues from natural resources is difficult given pervasive data gaps on prices and extraction volumes. The scale of illicit finance flows, while difficult to measure, appears to be much larger in the case of Myanmar than most other developing countries: these deprive the government of crucial tax revenue. Current data on domestic private investment, aid resulting from South South cooperation, and funds to Non-Governmental Organisations is limited.

In comparison with other ASEAN countries, Myanmar is the only country where ODA has been increasing- a contributing factor has been debt relief (which counts towards ODA). It also appears that FDI and remittances are overtaking ODA as sources of finance: FDI to Myanmar has soared in 2014, and experts forecast that FDI will continue rising. The volume of remittances is even higher than the FDI and is becoming an important financial source for Myanmar. It appears that there also remains potential for a future increase in ODA, as currently Myanmar is not accessing the full range of available funding, for example, climate finance.

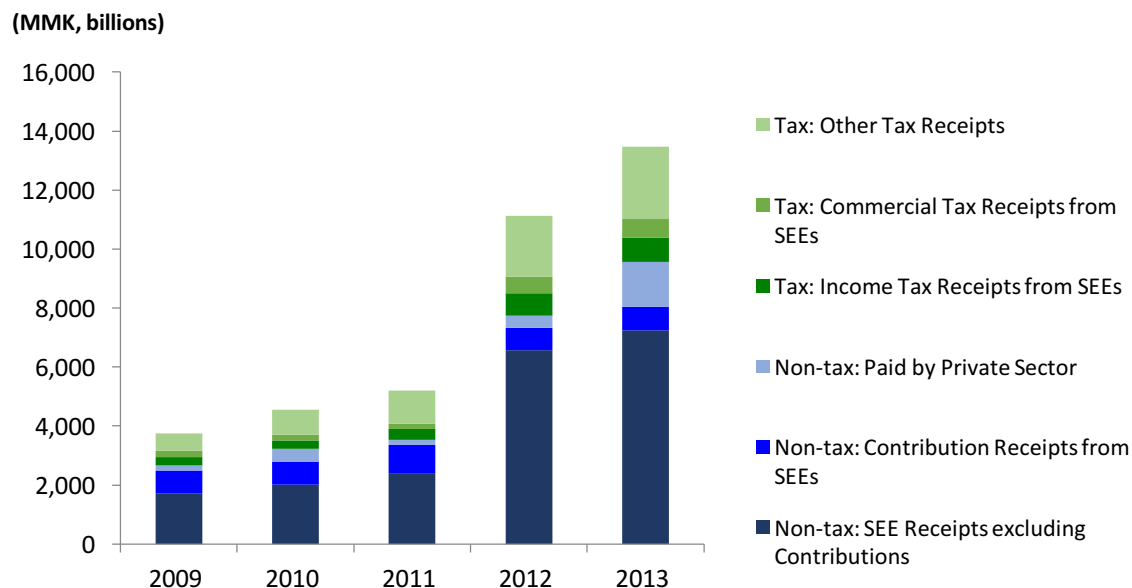
The following sections present a summary and attempted analysis of the selected development finance flows, considering changes in volume over time; the characteristics of flows (sectors, how they are distributed, the extent to which they are concessionary etc.), and challenges in institutional management of the flow.

Summary by Selected Development Finance Flows

3.1. DOMESTIC FINANCE

3.1.1. GOVERNMENT REVENUES

Table 3 Government Revenues (2009-2013)



Source: IMF, Country Report No.15/267, 2015 Article IV Consultation. Exclude grants.

Key findings

- Between 2009 and 2014, government revenues have increased from 6 to 11% of GDP and expenditure nearly doubled to 13% of GDP.⁸
- Despite governments efforts to strengthen tax administration and expand the revenue base, Myanmar's level of tax collection, projected to increase to 10% of GDP by 2018, remains below the ASEAN average (which is closer to 14% of GDP), due to inefficiencies in tax administration.
- The government has increased expenditure on social services from 11% to 33% of the total national budget between 2009 and 2014, in line with its objective to fill gaps in public service delivery.
- Between 1960-2013 Myanmar's illicit trade inflows and outflows are estimated at an average of 14.4% and 6.5% of GDP per annum, respectively. In 2013, unregulated financial inflows totaled some US\$ 10 billion, over 20% of GDP.

Detailed Findings

- Government revenues have grown from 6% to 11% of GDP between 2009 and 2014.⁹ Taxes alone have tripled between 2010-11 and 2013-14, growing from 3.9% to 7.8% of GDP. This increase can be explained by higher foreign and domestic investment, increasing volumes of trade and higher

⁸ World Bank, *Public Expenditure Review* (Myanmar, 2015).

⁹ *Ibid.*

consumption. Government efforts to strengthen tax administration and expand the revenue base have also contributed to improved revenue collection.

- Myanmar's performance in terms of tax collection is the lowest among ASEAN countries. Despite improvement in revenue performance, Myanmar's tax to GDP target of 10% by 2018 remains below the ASEAN average, which is closer to 14% of GDP. Myanmar's low level of tax revenues is due to factors that narrow tax-base combined with other factors such as tax evasion, inefficiencies in tax registration and collection.
- State-owned Economic Enterprises (SEEs) make an important contribution to public finance, with receipts from SEEs accounting for a quarter of government revenues.¹⁰ SEEs contribute to the national budget through two fiscal instruments: taxes (both income and commercial) and direct transfers in the form of dividends. The Myanmar Oil and Gas Enterprise alone account for 15.8% of all public revenues and 10% of public expenditure in Myanmar's 2013-2014 fiscal year.¹¹
- Government spending has increased on social sectors. Government spending on social services has increased from 10% to 33% between 2009 to 2015¹² and on education has increased four-fold between 2011/2012 and 2013/2014. The health sector experienced an even higher increase. Between 2009/2010 and 2013/2014, Ministry of Health spending increased nine-fold. However the total spending on social sectors is still very low, compared to other countries in a similar development context.
- The scale of illicit financial inflows and outflows is much larger in Myanmar than most other developing countries. Purely illicit (as opposed to unregulated) inflows are estimated to be 17% of GDP. This means Myanmar could have lost at least US\$ 2.9 billion and as much as US\$ 3.6 billion over 1960-2013 in potential tax revenue. To put it in perspective, the tax loss due to illicit flows for 2010 – 2013 ranged from 129% of health expenditures and 42% of education expenditures.¹³ Illicit movements of money deprive the government of crucial tax revenue and can undermine governance, rule of law and security.¹⁴
- Key challenges include ensuring efficiency and effectiveness in public spending alongside increasing expenditure. Experience from other countries shows that greater spending on health and education has a positive impact on accelerating growth and reducing poverty. However, it is the quality of public spending that matters for long-run economic growth and more equitable income distribution. Therefore, there is a need for analysis of the allocation of resources by sector, the balance between capital and recurrent expenditure, and how overall efficiency and effectiveness in service delivery can be increased.
- Despite SEEs going through important reforms,¹⁵ the lack of information on the revenues generated by SEEs remains a challenge. Statistics on the contribution of military enterprises to

¹⁰ World Bank, *Discussion Draft: Overview of Myanmar Union Budget Law 2015/16* (2015).

¹¹ Myanmar Extractive Industries Transparency Initiative (MEITI): *EITI Report for the Period April 2013 – March 2014, Oil, Gas and Mining Sectors* (Myanmar, 2015).

¹² World Bank, *Public Expenditure Review*.

¹³ Dev Kar and Joseph Spanjers, *Flight Capital and Illicit Financial Flows to and from Myanmar: 1960-2013*, (Global Financial Integrity Report, 2015).

¹⁴ Globally, illicit financial flows are estimated to have drained US\$946.7 billion from the developing world in 2011. The Asia Pacific region accounts for 39.6% of total illicit outflows from developing countries, the largest share among regions in terms of volume (Source: UNDP and UNODC, *Coming to Grips with Illicit financial flows in Asia-Pacific 2002-2011: Case studies of Bangladesh, Indonesia, Malaysia, and Nepal*, produced in collaboration with the Global Financial Integrity).

¹⁵ According to the Staff Report for the 2011 Article IV Consultation, more than 700 SEEs have been privatized since the late 1990s

government revenues are not available from the national records compiled by the Central Statistical Organization/Ministry of Planning and Finance. Two of the country's largest conglomerates, the Union Myanmar Economic Holdings and Myanmar Economic Corporation, are controlled by the military and their accounts are not recorded in the budget.

- There is a need to strengthen linkages between planning and budgeting processes, which were separate until recently. Proposals were not based on costed budgets and were formulated independently of considerations of future resource availability. Starting from 2016, the government has merged the planning and financial functions into one Ministry. It will be important that the government adopts a medium-term approach to budgeting that takes into account all the resources available to the government as well as potential private sector financing.
- It is also important to address persistent inefficiency in the tax administration and increase awareness of tax payers of their tax obligations. The effectiveness of tax collection is being hampered by a lack of adequate skills, and training, within the tax administration, as well as a lack of effective coordination among government departments. Furthermore, the complexity of tax laws and the limited transparency in their application has led to widespread lack of knowledge among tax payers about their tax obligations.

3.1.2. REVENUES FROM NATURAL RESOURCES

Graph is not provided due to lack of data.

Key findings

- Revenues from natural resources are an important source of government income. The extractive sector accounted for 6% of Myanmar's GDP in 2013 and it contributed 23.6% of the government's total revenues in 2013-2014.
- The government needs to strengthen transparent management and allocation of the revenues. Records of payments are managed manually and there is no regulation for distributing revenues back to Regions/States.

Detailed Findings

- Myanmar is one of Asia's richest countries in terms of natural resources. Around 90% of the world's supply of rubies are sourced from Myanmar and the country is also the world's largest single source of jade.¹⁶ In Fiscal Year (FY) 2013, for example, Myanmar exported US\$ 3.3 billion worth of natural gas—29% of extractive sector exports¹⁷—and at least US\$1 billion of jade.¹⁸ Estimating the total size of the mining and gem trade in Myanmar is very difficult. Some estimates suggest that the official-to-unofficial trade ratio could be close to 1:9.¹⁹
- Revenues from natural resources have increased significantly and can be expected to grow further in the future. The sales of gas alone amounted to US\$ 3.3 billion in 2013-2014 from US \$580

¹⁶ Myanmar Extractive Industries Transparency Initiative (MEITI): EITI Report for the Period April 2013 – March 2014, Oil, Gas and Mining Sectors. The EITI report covered: oil & gas sector, solid minerals, and mining sector.

¹⁷ Ibid.

¹⁸ ADB, *Economics Working Paper Series: Fiscal Management in Myanmar* (2015).

¹⁹ Ibid.

million in 2003-2004.²⁰ It is estimated that extraction from new gas fields will provide additional estimated export revenues of US\$ 1.65 billion per year, while exploration of offshore plots and of the largely unexplored onshore resources may further contribute to potentially growing revenues.²¹

- Natural resource revenues represent a vital source of finance for Myanmar. In FY 2013, the extractive sector amounted to 23.6% of total government revenue. They are the country's prime source of foreign exchange earnings and oil and gas, in particular, are a major attraction for foreign direct investment.²²
- Despite the significant proportion from natural resources in the overall government revenue, there is no specific regulation for the distribution of extractive revenues to Regions/States in Myanmar.²³
- Myanmar's first EITI report points out that there are 11 government bodies that receive extractive-related revenues from companies. Most payments are recorded manually, and this made the collection of information time-consuming and prone to error during the EITI reporting process.²⁴
- Experience from other countries suggests that an effective strategy for managing revenues from natural resources is crucial for Myanmar to take advantage of its natural resource wealth. An important aspect is to ensure greater transparency and accountability for revenue flows from extractive industries. Myanmar's participation in the Extractive Industry Initiative²⁵ is an important step in this regard. An option that Myanmar may want to consider in the future would be other countries' instruments, such as Sovereign Wealth Funds, that have proven successful in ensuring inclusive and accountable investment, when managed by appropriate fiscal rules and clear objectives.²⁶

²⁰ Myanmar Extractive Industries Transparency Initiative (MEITI): EITI Report for the Period April 2013 – March 2014, Oil, Gas and Mining Sectors.

²¹ ADB, *Economics Working Paper Series: Fiscal Management in Myanmar*.

²² *Ibid.*

²³ *Ibid.*

²⁴ *Ibid.*

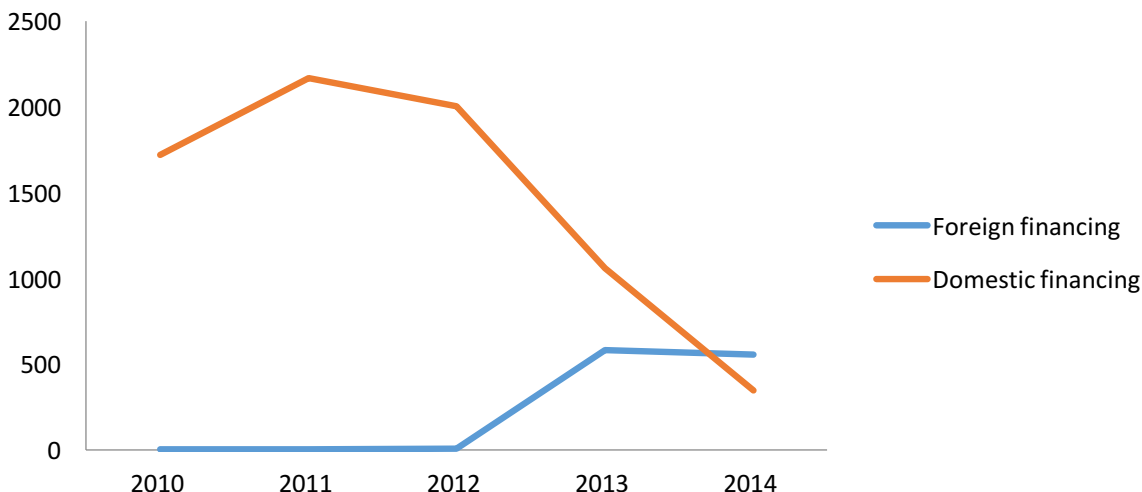
²⁵ Myanmar joined EITI at the end of 2012. Myanmar submitted its application to become an 'EITI Candidate' country to the EITI Board in May 2014 and it was approved in July 2014. Myanmar has until January 2017 to meet all 7 EITI Requirements in order to gain 'EITI Compliant' status. EITI Report 2015.

²⁶ For more details, see UNDP Technical Note: Sovereign Wealth Funds and Extractive Industries in Myanmar (Thomas Kring, 2016).

3.1.3. PUBLIC DEBT

Table 4 Government Borrowing (2010-2014)

(MMK, billions)



Source: World Bank, 2015 Myanmar Public Expenditure Review.

Key findings

- The government has taken steps to finance the fiscal deficit from medium-term options such as Treasury Bond sales and concessional loans. In the past, the government relied heavily on monetization, due to a lack of domestic debt markets and limited access to external loans. This put Myanmar at risk of high inflation.

Detailed findings

- Public debt in Myanmar has declined from 77% of GDP in 2007-2008 to 47% in 2013-2014.²⁷ Myanmar is considered by the IMF as being at low risk of debt distress but overall public debt is projected to rise over time given the large financing needs for development.²⁸
- The government is committed to keep the fiscal deficit broadly at about 5% of GDP over the medium-term. It is expected that about 60% of this deficit will be financed through foreign financing, with non-concessional external borrowing being used only to finance economically viable projects in priority sectors. The remaining 40% of the deficit will be financed through domestic financing, with an increasing proportion of such financing coming from the bond market.
- Myanmar's government has an annual borrowing limit but there is no analysis of how the government's debt status will be affected by the proposed new borrowing²⁹. According to the World Bank, such analysis may include potential funding sources, interest rate changes, exchange rate movements, refinancing needs, among others. During the period of the 2015 Myanmar Public Expenditure Review, nearly half of the government's debt stock was in short-term debt instruments. This raises risks for constant re-financing.

²⁷ World Bank, *Public Expenditure Review*.

²⁸ IMF, *Staff Report for the 2015 Article IV Consultation – Myanmar*, (2015).

²⁹ World Bank, *Public Expenditure Review*.

- In other countries it has proven successful to have a single agency that manages the approval of borrowings and loans. In Myanmar's case, it is not clear which entity is authorized to approve borrowings and loans. A single entity model would help Myanmar concentrate information on borrowing across government and reduce over-borrowing.

3.1.4. DOMESTIC PRIVATE INVESTMENT

Graph is not provided due to lack of data.

Key findings

- The private sector has been hampered by decades of economic isolation and state control. Access to finance remains a top constraint.³⁰
- More than 50% of the population has no access to financial services.

Detailed findings

- Credit from the financial system to private enterprises and individuals³¹ is expanding rapidly: from 1,903 billion kyats in 2010 to 10,170 billion kyats in 2014.³²
- Although Myanmar's financial system is undergoing a rapid transformation, it remains largely underdeveloped. Economic isolation and state control has left Myanmar with small and underdeveloped financial institutions and very low access to financial services. For example, the private sector's access to credit is 13.6% of GDP. This is the lowest among ASEAN countries- in Thailand the figure is as high as 147%.³³ Myanmar also ranks at the bottom in terms of a banking sector network: with 3.1 commercial branches for 100,000 adults, it comes just ahead of Lao (2.7) and behind Vietnam (3.8) but far behind Thailand (12.7), Indonesia (11), Malaysia (10.7) and the Philippines (8.8).
- A significant amount of credit in Myanmar continues to be directed towards financing the public sector. In 2014, of all the domestic credit, the government sector accounted for 38% and the private sector accounted for 53%.³⁴ It is still a decrease from the year 2010, when 80% of the credit by financial institutions was directed to the public sector.
- The private sector in Myanmar is dominated by Small and Medium-sized Enterprises (SMEs) and the informal sector, with the majority of Myanmar's labor force made up of casual laborers, and self-employed or unpaid family workers. According to the 2015 Myanmar Business Survey³⁵, Myanmar has approximately 127,000 enterprises with at least one hired worker (this excludes the agriculture and finance sectors), and 87% of those enterprises are small businesses with less than 10 workers.

³⁰ World Bank, *Myanmar Investment Climate Assessment* (2015).

³¹ Domestic credit to private sector can provide a good measure of the role of private sector in the national economy or GDP. The higher this measure is, the greater opportunity and space for the private sector to develop and grow.

³² ADB, *Key indicators for Asia and the Pacific* (2015), <http://www.adb.org/sites/default/files/publication/175162/mya.pdf>

³³ World Bank, *World Development Indicators*, <http://data.worldbank.org/indicator/FS.AST.PRVT.GD.ZS>

³⁴ *Ibid.*

³⁵ The Myanmar Business Survey was conducted in 2015 by the Central Statistical Organization and the Planning Department of the Ministry of Planning and Finance, with technical assistance from UNDP and the Italian Statistical Institute.

- According to a recent World Bank survey, 46% of firms reported investment in fixed assets, but 1% of the costs of these investments was financed by bank borrowing. This means that more than 90% of firms had to use their own funds to finance investment, a higher level than any other country in the region. The level of own funding in other countries in the region is as follows: Indonesia (86%), Lao (80%), Vietnam (75%), and the Philippines (73%).³⁶
- More than 50% of the population has no access to financial services. Among those that do have access, 30% are using unregulated services, at high interest rates of up to 240% a year, with 20% accessing regulated financial services, with interest rates of 36% a year. The limited access to regulated financial services not only imposes significant costs on poor people, but informal mechanisms also offer clients limited protection, less choice and lower returns.³⁷
- In spite of rapid development in micro finance since the adoption of Myanmar's Microfinance Business Law, demand for microfinance is still estimated to be four times greater than supply.³⁸ This means that fewer than 25 out of 100 potential microfinance clients have access to formal financial services, with most people relying on family savings or costly alternatives such as informal moneylenders.
- Further efforts are needed to strengthen the regulatory framework to address lack of financial services and low levels of financial inclusion; lack of clarity on rules and procedures for obtaining, keeping and transferring land use rights; burdensome market entry procedures; and weak investment protection and contract enforcement.³⁹

³⁶ World Bank, *Myanmar Investment Climate Assessment*

³⁷ UNCDF Myanmar website. <http://www.uncdf.org/en/myanmar>

³⁸ Eric Duflos, Paul Luchtenburg, Li Ren, Li Yan Chen, *Microfinance in Myanmar: Sector Assessment* (2013), <http://www.cgap.org/publications/microfinance-myanmar-sector-assessment>

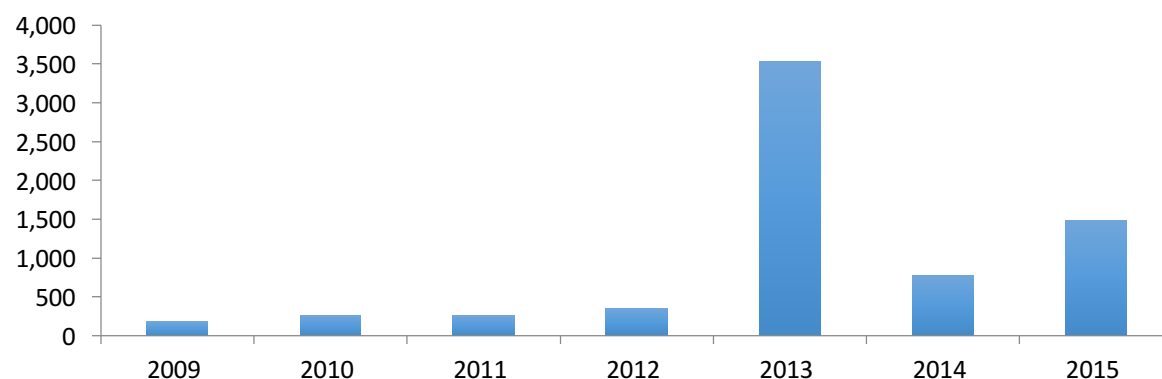
³⁹ Charles Patrick Schneider, Sjamsu Rahardja, Tenzin Dolma Norbhu, Mona E Haddad, *Breaking business as usual: fostering competitiveness and a dynamic environment for private sector growth* (Washington, D.C.: World Bank Group, 2016). <http://documents.worldbank.org/curated/en/2016/02/25929483/breaking-business-usual-fostering-competitiveness-dynamic-environment-private-sector-growth>

3.2. EXTERNAL FINANCE

3.2.1. OFFICIAL DEVELOPMENT ASSISTANCE (ODA)

Table 5 Country Programmable Aid to Myanmar

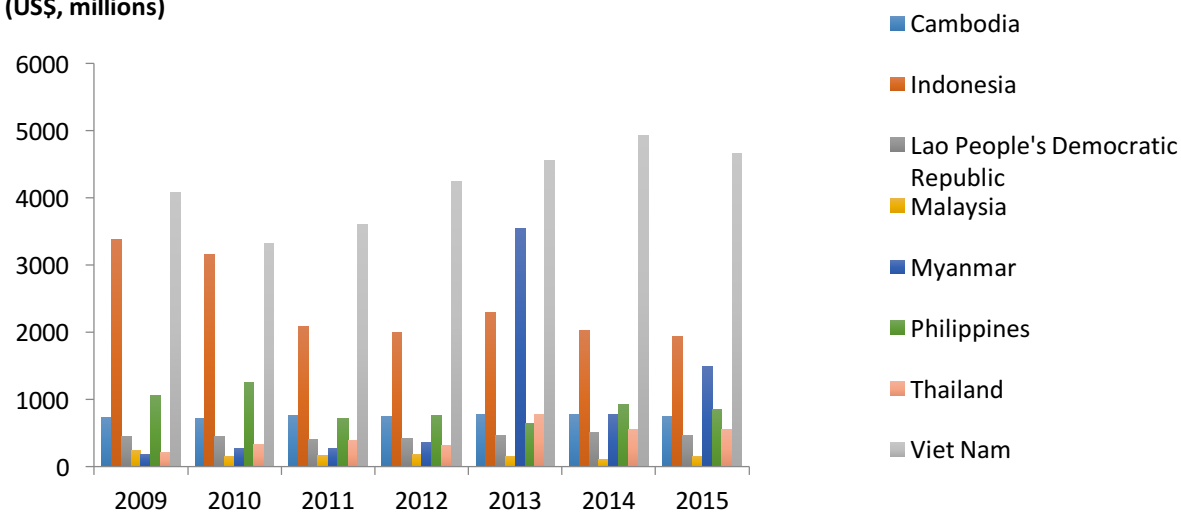
(US\$, millions)



Source: OECD

Table 6 Country Programmable Aid to ASEAN Countries

(US\$, millions)



Source: OECD

Key findings

- ODA flows to Myanmar have increased sharply in recent years due to renewed donor engagement following the launch of the government's reform programme in 2011.

- According to the OECD data, gross ODA flows for Myanmar have increased from US\$ 413.4 million in 2010 to US\$ 2.1 billion in 2014.⁴⁰ The major peak in 2013 can be explained by debt relief.⁴¹
- According to OECD projections,⁴² ODA is expected to continue to grow in the coming years, with Myanmar absorbing most of the foreseen increases to Asia, together with other Least Developed Countries (LDCs) such as Afghanistan and Bangladesh. OECD's CPA data shows that aid to Myanmar is expected to grow by 234% between 2014 and 2018.

Detailed findings

- In comparison with other ASEAN countries, Myanmar is the only country where ODA is increasing. In terms of ranking, Myanmar is third behind Vietnam and Indonesia, taking into account OECD's Country Programmable Aid (CPA) data, as a better measure for the amount of ODA resources actually available for programming at country level (see Table 8 above).
- There have been changes in ODA composition. Until 2013, the majority of the ODA was delivered as grants but the situation is changing, with multilateral development organizations (such as the United Nations and the European Union) and financial institutions (banks, including the World Bank) having resumed operations following the removal of economic sanctions. Countries like France, Germany and Japan have also started to extend loans in 2013. From 2011-2013, 73% of total ODA was delivered by bilateral partners (governments). Multilateral ODA accounted for the remaining 27%, led by the financial institutions and UN agencies. This could change in the future as activities from multilateral development organizations and financial institutions are likely to increase. Analysis of future projects shows that assistance from multilateral sources could increase up to 28%, if not more.⁴³
- There is a high degree of fragmentation. At the end of 2015, in total, 655 on-going projects were recorded in the government's aid information database Mohinga⁴⁴, indicating that most aid is disbursed through individual projects of relatively small size. Two bilateral providers account for two-thirds of total gross ODA, with 40 providers sharing one-third of total gross ODA, with the majority of them spending less than US\$ 5 million on average annually.
- There is a need to promote stronger collaboration among different partners on strategic issues, as well as promoting greater alignment with Myanmar priorities and systems. As an outcome of Myanmar's first Development Cooperation Forum in 2013, government and development partners established Sector Working Groups to coordinate development efforts and align

⁴⁰ Source: OECD,

https://public.tableau.com/views/OECDACAidataglacebyrecipient_new/Recipients?:embed=y&:display_count=yes&:showTabs=y&:toolbar=no?&:showVizHome=no

⁴¹ Myanmar had significant debt arrears from Japan, the Asian Development Bank (ADB) and the World Bank. In 2012, Myanmar resolved its arrears from Japan through an agreement with Japan on a bridge loan operation and cancelation of principal payments as well as overdue charges. In 2013, the arrears from the ADB and the World Bank, amounting to almost US\$ 1 billion, were restructured and cancelled through debt relief package, primarily in the form of a bridge-loan from Japan. (source: World Bank, *Public Expenditure Review*).

⁴² OECD, *Global Outlook on Aid (2015)*, and *DAC Survey on Donors' Forward Spending Plans (2015)*.

⁴³ Some caution is needed when looking at CPA data, which are not complete, especially the more you move into future years. For example, forward-looking information is not available for the World Bank, which does not disclose its spending plans.

⁴⁴ Government of Myanmar launched Mohinga in 2015 to provide aid data: how aid is being used and what results are being achieved. Data in Mohinga is based on voluntary inputs from providers; consequently, data is not validated and data from some development partners is missing and/or outdated.

development support to Myanmar's priorities. A review of the Sector Working Groups in 2014 pointed out that the discussions at the Sector Working Group were focused on information sharing, rather than strategic discussions on achieving development results.⁴⁵ Additionally, less than half of the 17 Sector Working Groups had either their sector indicators agreed or under development.

- There has been a shift in sector distribution. According to the Mohinga data, support to social infrastructure and services remains the largest (29% in 2014), although it has declined from 45% in 2010. The share of humanitarian aid has decreased from 30% of ODA in 2010 to 7% in 2014. Meanwhile, support to economic infrastructure and services has increased from 2.5% in 2010 to 24% in 2014.
- There is a high concentration of ODA in Yangon. According to the unofficial data analysis conducted by the Secretariat of the Development Partners Group in early 2016⁴⁶, which covered projects starting from 2003 and future years, Yangon had the highest average annual funding (US\$478 million), followed by Bago and Mandalay (US\$ 114 million and US\$100 million respectively). Several major infrastructure projects account for some of the high commitment figures in Yangon.
- Myanmar seems to be facing some challenges in ensuring timely implementation of projects as indicated by the gap between disbursements and commitments in both OECD and Mohinga data. OECD data shows, between 2012 and 2014, the average disbursement rate for Myanmar was 79% (68% in 2012, 97% in 2013, and 72% in 2014).⁴⁷ Looking at the sector specificities in Mohinga, the situation seems to be particularly acute for projects in the infrastructure sectors. This could be attributed also to disbursements being generally slower in this sector due to the longer gestation period and the preparations needed for disbursements to flow in large infrastructure projects once projects have been approved.
- In future, funding is likely to evolve from concessional to non-concessional. In mid-2015, Myanmar became a lower middle-income country according to the World Bank classification based on gross national income (GNI) per capita estimates. As Myanmar's development status changes, its access to generous concessional loan terms will likely decrease. This is especially the case for lending from Japan, Myanmar's largest provider of ODA. Myanmar is now above the Japan International Cooperation Agency's (JICA) threshold for the most concessional loan terms.⁴⁸
- Challenges include prioritization of resource allocation. Myanmar has not had significant experience in managing large amounts of aid, having received far lower aid per capita in recent years than other Least Developed Countries (LDCs). Myanmar and its development partners have established aid coordination structures; however, a strategic vision is missing for prioritizing ODA resource allocation. The Government of Myanmar is initiating reforms to aid coordination

⁴⁵ The review was conducted by the Secretariat of the Development Partners Group/Development Partners Working Committee.

⁴⁶ The review was conducted by the Secretariat of the Development Partners Group/Development Partners Working Committee. Data here needs to be treated with caution. Some figures do not reflect the region/state specific commitment, and are actually repeated in more than one location. Also, it is not clear from the data whether these regions/states are the focus states for particular donors or are simply a part of donors' sub national programmes. Any particular sectoral focus for different donors in different regions/states does not get reflected through the current aid data available in Myanmar, nor from the donor profiles on the Mohinga data base.

⁴⁷ OECD Creditor Reporting System, <https://stats.oecd.org/Index.aspx?DataSetCode=CRS1>

⁴⁸ UNDP, *Assessment of Myanmar's LDC graduation implications* (2016).

structures; in May 2016, the President's Office announced the formation of a coordination body to avoid overlap and poor management of funds. From the development partner side, between mid- 2015 and early 2016, a review of the aid architecture was conducted, with a view to improving the coordination structures, and development partners drafted recommendation papers focusing on three topics: development cooperation structure, sector working groups, and engagement with technical assistance. These reviews aimed to strengthen the effectiveness of development partners' contributions to the country and alignment with Myanmar's development needs.

- Another challenge is the gap between disbursements and commitments – in light of the further expected increases in ODA, the government and its development partners need to identify bottlenecks in implementing projects and identify ways of reducing possible transaction costs associated with a wide range of providers and individual projects, such as each having their own implementation procedures and reporting requirements. In 2015, the government and development partners set up a joint Task Force on Implementation Constraints and developed a list of action points. However, lack of clarity about the roles of government departments and an inability to effect changes across government have slowed down the progress in following up on the agreed actions.
- It is recommended to strengthen management information systems. Government reforms around aid management and coordination include the aid information management system called Mohinga. There remain several key challenges around the Mohinga Aid Information Management System despite the wealth of information. Although data is available for about 70 development partners, data varies considerably, with limited reporting of disbursement data by development partners particularly for technical assistance, and data on the location of the activity. There is no standard verification exercise. It is not clear the extent to which the government uses the information for planning and budgeting purposes and the degree to which Mohinga will be aligned with the government's Integrated Financial Management Systems.

3.2.2. SOUTH SOUTH COOPERATION

Graph is not provided due to lack of data.

Key findings

- During the military regime, when most bilateral and multilateral organizations could not engage with Myanmar on aid cooperation, Asian economies were active through a combination of aid and economic support. Those included southern partners such as China, India, Indonesia, Malaysia, Thailand, and Vietnam.
- A key challenge is the lack of accessible data on South South cooperation, in terms of volumes of development assistance, types of technical cooperation, exchange of knowledge/technologies, geographical and sectoral coverage, as well as project information.

Detailed findings

- The volume of aid and economic support through South South cooperation is likely to be significant. For example, the costs of the Dawei Special Economic Zone project which includes

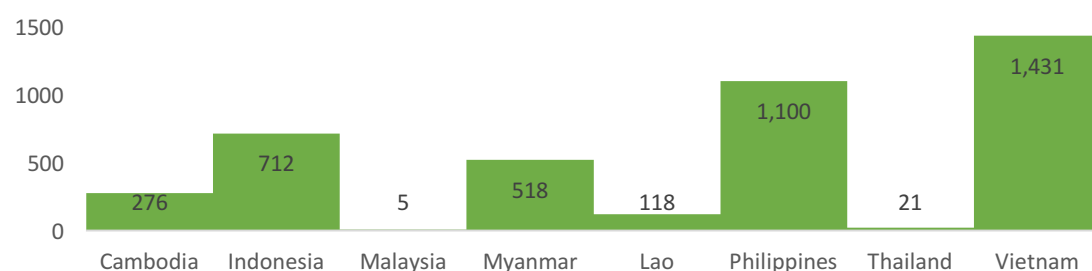
Thailand as one of initial promoters were estimated to surpass US\$11 billion.⁴⁹ The cost of this project itself, though an estimate, is higher than the total volume of gross ODA flows to Myanmar during 2010 and 2014.

- Cooperation from southern partners has been strongly associated with economic development. Their projects involve partnerships with Myanmar in the natural resource industry and in building infrastructure that increases entry points for trade. Some critics point out that their contribution to social and economic development has been minimal.⁵⁰
- While the volume of pledges from southern partners may be high, many Asian projects are making slow progress. The India-Myanmar-Thailand highway connection has been under discussion since 2004, but Myanmar and India have yet to sign a project agreement. Despite the agreement between Thailand and Myanmar, no investor has shown willingness for the Dawei project.⁵¹
- Some South-South cooperation data (e.g. Bangladesh, Nepal, and Indonesia) is available at Mohinga, however data remains a critical challenge. Countries with high-volume support such as China, Thailand and India have not yet started inputting their data to Mohinga.

3.3.3. CLIMATE FINANCE

Table 7 Climate-related Development Finance 2002-2014

(US\$, millions)



Source: OECD⁵²

Key findings

- Climate-related finance is relatively low in Myanmar but could become an important source of development finance. Myanmar has not yet accessed much of the climate-related funds such as the Least Developed Countries Fund and the Green Climate Fund, which it could potentially benefit from.

⁴⁹ Andrea Goldstein, *Financing for Development and the New South-South Cooperation Agenda: Trends, Actors, and Policies, with a Focus on Myanmar* (EUI Working Paper, 2013).

⁵⁰ *Ibid.*

⁵¹ *Ibid.*

⁵² Source: OECD. Data for OECD DAC members for 2002-2014, and Multilateral Development Banks (MDBs) and the Global Environment Facility (GEF) in 2014. https://public.tableau.com/views/Climate-Related-Aid_new/Recipientperspective?:embed=y&:showTabs=y&:display_count=no?&:showVizHome=no#1

Detailed findings

- From OECD's cumulative data covering 2002-2014, climate-related aid commitments for Myanmar amounted to US\$ 520 million: of which 82% was for climate change adaptation measures whilst 13% was for climate change mitigation. According to the OECD data, climate-related finance is relatively low in Myanmar in comparison with other ASEAN countries, particularly those regularly affected by natural disasters (Vietnam, Philippines and Indonesia).
- According to OECD data, between 2002 and 2014 the three most important sectors for climate related commitments were water and sanitation (44%), agriculture, forestry and fisheries (30%), and energy (12%).
- To date, access to multilateral funds remain limited:
 - o Least Development Country Fund: out of a total allocation of US\$ 30 million, Myanmar has drawn approximately US\$ 13 million in grants for three projects, including the preparation of a National Action Plan for Adaptation and adaptation projects related to forests and fisheries.⁵³
 - o Adaptation Fund: the first project, led by UNDP and Mandalay Region Government, "Addressing Climate Change Risk on Water Resources and Food Security in the Dry Zone of Myanmar" was approved in 2015, for a total amount of US\$ 7.9 million for a duration of 4 years.
 - o Green Climate Fund: Myanmar has not yet received Green Climate funds.
- Extreme weather events and natural disasters, which are likely exacerbated by climate change, represent an important factor of vulnerability for poor households in Myanmar. It will be important to analyse the opportunities and challenges in accessing and managing climate finance in Myanmar, as this could potentially become large source of funds in the coming years. Since insufficient information is currently available in this area, a Climate Public Expenditure and Institutional Review (CPEIR) may help to deepen the understanding of this financing source, and provide opportunities for improving public expenditure and institutional capacities to manage it.

3.2.4. NON-GOVERNMENTAL ORGANIZATIONS (NGOS)

Graph is not provided due to lack of data.

Key findings

- Currently, there are about 160 international NGOs⁵⁴ and over 210,000 local civil society organizations⁵⁵ operating in Myanmar. However, it is difficult to find comprehensive data about their volume and activities.

Detailed findings

- The number of international NGOs active in Myanmar has increased significantly since the partial relaxation of international sanctions. Two sharp increases in presence and activity of international

⁵³ GEF project database. https://www.thegef.org/gef/gef_projects_funding

⁵⁴ According to the Government of Myanmar data (source unknown). Out of over 160 INGOs, 90 INGOs are members of the INGO Forum in Myanmar (source: INGO Forum Coordinator, <http://ingoforummyanmar.org/>)

⁵⁵ ADB, *Civil Society Briefs Myanmar* (2015).

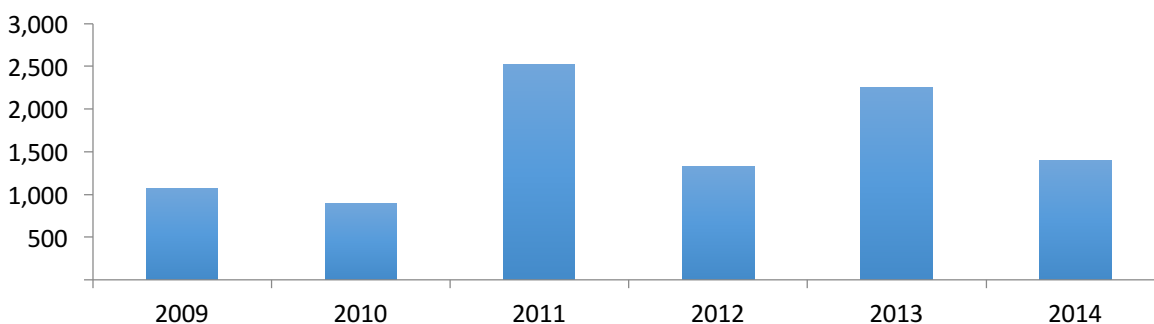
NGOs came during the 2008 cyclone Nargis response, and after the formation of the new government in 2011. In response to the 2007 demonstrations, international NGOs had established a Forum to facilitate dialogue among the members and develop collective strategies: currently, the INGO Forum has about 90 members.

- Little information is available for local civil society organizations. Some estimates report that over 200,000 community-based organizations are operating. Estimates vary for local NGOs, ranging from 270 to more than 10,000.⁵⁶
- Both international and local NGOs engage in a broad range of activities, with many of them implementing projects funded by multilateral and bilateral aid agencies or receiving grants from these agencies for their own activities. It is not easy to identify the extent to which NGOs mobilise their own resources.
- Data on international NGOs is scarce. International NGOs enter into Memorandums of Understanding (MoUs) with line ministries but these are not always reported to the Foreign Economic Relations Department (FERD) of the Ministry of Planning and Finance. International NGOs also do not report on their own contributions from private sources into the Mohinga aid information data base; in the Mohinga, INGO data is limited to projects where they act as implementing partner. Geographic locations and project information of the international NGOs, however, are being regularly updated at the Myanmar Information Management Unit (MIMU).
- Inter-government coordination has been challenging. For INGO projects, different ministries have different MoUs and reporting styles. Ministries are requested to send their information on INGO projects to FERD, however a number of activities are under-reported, making inter-governmental coordination a challenge. In May 2016, the President's Office announced the formation of a coordination group for development assistance to increase programme effectiveness. This is a step towards strengthening inter-governmental coordination and aligning development assistance with national development goals.

3.5.5. FOREIGN DIRECT INVESTMENT

Table 8 Foreign Direct Investment, Net Inflows

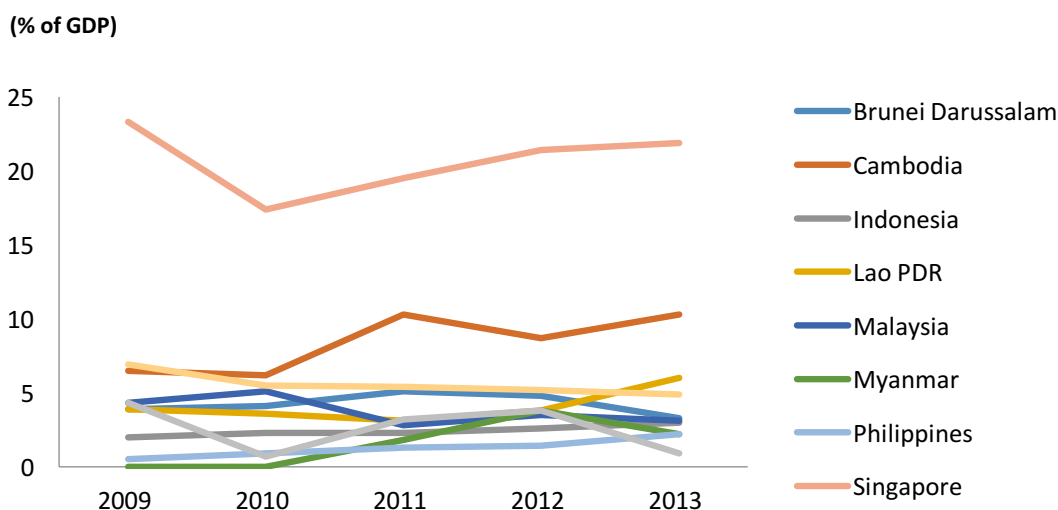
(BoP, current US\$, millions)



Source: UNCTAD

⁵⁶ *Ibid.*

Table 9 Foreign Direct Investment, Net Inflows (% of GDP)



Source: UNCTAD

Key findings

- Foreign Direct Investment (FDI) is growing rapidly in Myanmar. Between 2012 and 2014, FDI inflows to Myanmar have jumped by almost double, although starting from a low base.
- FDI inflows have been diversified and can potentially have sizeable spillover effects for the economy⁵⁷. However, the regulatory framework needs to be more conducive to investments.

Detailed findings

- The removal of most sanctions, and the reforms launched by the government opened new opportunities for foreign investment in Myanmar. The Foreign Investment Law, enacted in 2012, vastly simplified the process for making investment application to the government and offers a number of tax breaks and incentives, and guarantees rights and protections for foreign business ventures⁵⁸. As a result, FDI inflows have been growing- from US\$ 496.88 million in 2012 to US\$ 946.22 million in 2014.
- FDI is growing faster in Myanmar than in other ASEAN countries, with flows almost doubling between 2012 and 2014, albeit starting from a low base. However, FDI remains well below the levels of most other countries in the region, both as total flows and as a percentage of GDP.⁵⁹
- FDI is expected to continue growing in the coming years, with commitments soaring to more than US\$ 8 billion in the fiscal year 2014/2015 due to increased activity in the energy, manufacturing

⁵⁷ OECD, *Multi-dimensional Review of Myanmar: Volume 2. In-depth Analysis and Recommendations* (2014),

<http://dx.doi.org/10.1787/9789264220577-en>

⁵⁸ <http://www.dica.gov.mm/en/foreign-investment>

⁵⁹ <http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS>

and telecom sectors.⁶⁰ Several other projects were also due to start in 2015, following the country's first special economic zone led by a Myanmar-Japanese joint venture.⁶¹ It is worth noting that in general there is a lead time before investments really take off, resulting in a lag between commitments and disbursements.

- The sectoral composition of FDI has become more diversified. Between 2010 and 2012, FDI was concentrated in large-scale projects, and more than 90% of FDI went to power provision and natural resources.⁶² FDI in the manufacturing sector was very low until 2010 but picked up significantly in 2013. Investments in the tourism and hospitality sectors are also increasingly attractive and have grown considerably, benefiting from rising tourist numbers. The real estate sector benefits from rising housing demand, as well as tourism.⁶³
- In terms of regional distribution of FDI, 73% of the companies granted an investment license in 2014/15 were located in Yangon, followed by Bago (8%), while the remaining 19% were spread across 10 states and regions.
- Most FDI originates from Asian countries: China (31%), Singapore (24%), Hong Kong (15%), Republic of Korea (9%) and Thailand (7%).
- Further improvements to the business environment will be critical for Myanmar to further attract FDI. Myanmar participated in the International Finance Corporation's (a member of the World Bank Group) cost of doing business survey for the first time in 2013. It was moved up from 182nd in 2014 to 167th in 2016. Further important reforms – such as the bank and financial institutions law, the investment law, and the company law – will contribute to attracting more FDI. These laws are currently underway.
- As in many other Least Developed Countries (LDCs), FDI is concentrated in large-scale projects such as the mineral-extractive sector and in infrastructure development. These do not employ significant numbers of people and can be controversial- prompting debates over their social and environmental impact. The challenge for Myanmar, as for many other countries, is to identify the range of policy options, including investment promotion strategies, to channel FDI into areas key for sustainable development and impact.
- There may be some issues around the quality of FDI statistics, as foreign investment that does not require approval by the Myanmar Investment Commission is not recorded under the Directorate for Investment and Company Administration (DICA). This is especially the case for joint-ventures with a military-controlled enterprise.⁶⁴

⁶⁰ World Bank, *Myanmar Economic Monitor* (2015).

⁶¹ 8 of 41 registered companies, of which 21 are Japanese multinational enterprises, planned to start operations in 2015 (UNCTAD, *World Investment Report*, 2015)

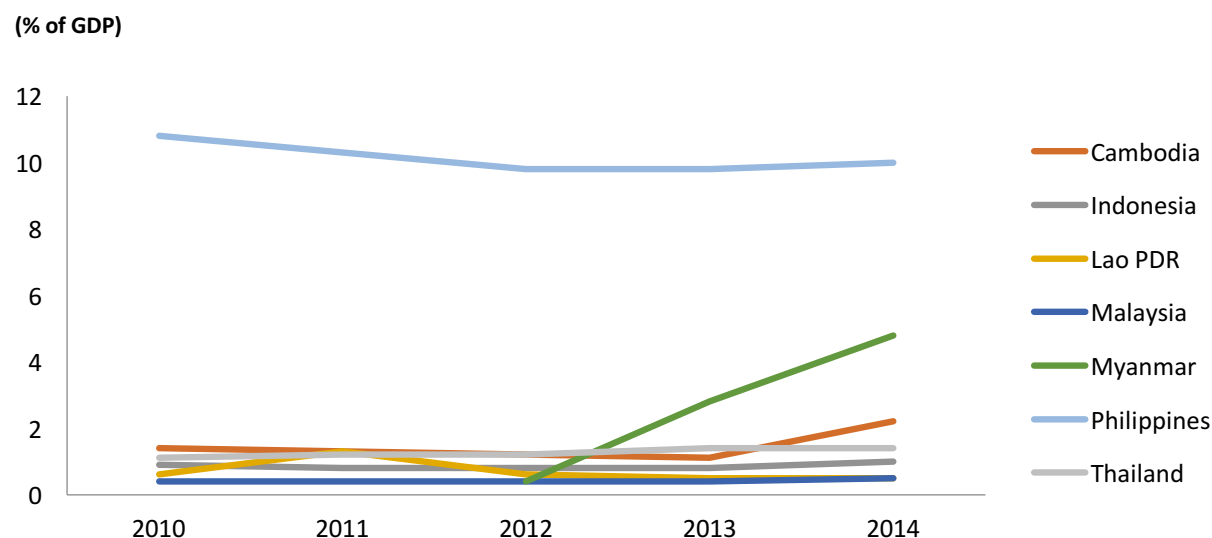
⁶² OECD, *Multi-dimensional Review of Myanmar: Volume 2. In-depth Analysis and Recommendations* (2014), <http://dx.doi.org/10.1787/9789264220577-en>

⁶³ Lester Gunnion, *Asia - Pacific Economic Outlook* (2014).

⁶⁴ OECD, *Investment policy reviews* (2014).

3.2.6. OVERSEAS REMITTANCES

Table 10 Personal Remittances, Received (% of GDP)



Source: World Bank World Development Indicator

Key findings

- Remittances are increasing rapidly in Myanmar; however the gains from the remittances are not being maximized. An approach being taken by other developing countries is to encourage the transfer of remittances through local bond markets that can be used for development.

Detailed findings

- International remittances received from Myanmar diaspora increased markedly from around US\$ 115 million in 2010 to around US\$ 3.5 billion in 2015.⁶⁵

US\$ million	2010	2011	2012	2013	2014	2015
Inward remittances flows	115	127	275	1,644	3,103	3,478
Of which						
Compensation of employees	115	127	275	229	118	
Personal transfers				1,414	2,984	

Source: World Bank Migration and Remittances Fact Book, 2016

- Myanmar is among the top ten countries in Asia-Pacific in terms of the source of emigrant workers⁶⁶. With 3.1 million emigrant workers, Myanmar comes second after Indonesia (4.1 million) but ahead of Vietnam (3.6 million).

⁶⁵ <http://data.worldbank.org/indicator/BX.TR.F.PWKR.CD.DT>

⁶⁶ World Bank, *Migration and Remittances, Factbook* (2016).

- Considering the relatively large number of Myanmar workers abroad, remittances constitute an important potential source of transfers which could be even larger in comparison with other ASEAN countries. Very often, migrant workers, especially if they are not properly registered, may prefer to rely on informal ways of transferring money, carrying the cash themselves or through relatives. Governments can facilitate remittances by simplifying transfer mechanisms, and lower the costs by taking appropriate action in the regulatory framework for financial institutions and the banking sector.
- Remittances constitute an important source of additional income for many beneficiaries who are generally using remittances for personal investment in health, education or income-generation activities. Governments in developing countries are increasingly considering how to maximize the longer-term development benefits of remittances by encouraging their transfer through local bond markets that can be used for development.

Section 4. Prospects of Development Finance in Myanmar 2016 – 2020

There are important institutional and policy reforms to be undertaken to maximize the volume and effectiveness of development finance in Myanmar. The key policies and institutions in the government and financial system that govern mobilization and allocation of development financial resources are hampered by a range of constraints. These include limited government capacity to manage budget and expenditure, and underdeveloped legal and fiscal institutions, as well as limitations in the regulatory frameworks essential to the effective functioning of markets and private sector development. Areas of improvement could include sound mechanisms for reporting, coordinating, and managing external funding; public financial management and revenue collection; as well financial market development. Another important aspect is related to aggregating and integrating these flows into government systems and budgets, and devising mechanisms and institutional arrangements that could do this across sectors and different departments of the government.

Section 5. Suggestions for Myanmar's First Development Finance Assessment Report

A Development Finance Assessment (DFA) would provide a comprehensive analysis for development finance. It would assess the country's financing needs, the character – such as volatility, concessionality, complementarity, etc. - of available resources (past and future), the quality of the financial plans and the national development strategies/plans, institutional capacities in managing development finance, and how development cooperation can be used more strategically. In countries like the Philippines, Papua New Guinea, and Vietnam, DFAs contributed to improving the linkage between planning and financial process; strategizing the effective use of finance to achieve ambitious development goals; and spurring discussions towards the integrated institutional financial framework.

During the interviews⁶⁷ conducted for this Overview Report, the Government of Myanmar have expressed keen interest in two particular areas for Myanmar's first Development Finance Assessment, if conducted:

1) Financing of sector strategies. Several ministries have prepared sector strategies, or are in the midst their preparation. These strategies have generally not been accompanied by a costing and expenditure framework for the medium term. The DFA could help assess the financing requirements and sources for these sector strategies, and complement Myanmar's Public Expenditure Review which mainly focuses on domestic resources.

2) Sub-national assessment of development finance. There was a high demand for an in-depth analysis of the mobilization, allocation, and management of development finance at the Region/State level.

Both of the above areas fit well with the conceptual and methodological framework of the DFA. The particular issues that could be the focus of Myanmar's first DFA can be discussed with the authorities, based on which the next steps for taking forward the work of the DFA can be determined.

⁶⁷ UNDP's Development Finance Expert conducted interviews with 13 ministries in October 2015.

Annex 1. Glossary

Term	Definitions
CLIMATE FINANCE	<p>The lack of an internationally-acknowledged definition of what qualifies as climate finance, or even more narrowly what qualifies as a climate project, presents a major challenge to understanding the scale of financial flows; there is no established basis for a methodology or measurement system for tracking climate finance flows. Discussions with many experts in the area have indicated that the meaning of climate finance is continually evolving, and captures the following aspects:</p> <ul style="list-style-type: none"> • Financial support for mitigation and adaptation activities, including capacity building and R&D, as well as broader efforts to enable the transition towards low-carbon, climate-resilient development • Public, private, and public-private flows <p>Source: CPI (2012) The Landscape of Climate Finance</p>
CONCESSIONALITY LEVEL	<p>A measure of the “softness” of a credit reflecting the benefit to the borrower compared to a loan at market rate. (cf. Grant Element). Technically, it is calculated as the difference between the nominal value of a tied aid credit and the present value of the debt service as of the date of disbursement, calculated at a discount rate applicable to the currency of the transaction and expressed as a percentage of the nominal value.</p>
COUNTRY PROGRAMMABLE AID (CPA)	<p>CPA is the portion of aid that each donor (bilateral or multilateral) can programme for each recipient country. CPA is a subset of ODA outflows. It takes as a starting point data on gross ODA disbursements by recipient but excludes spending which is: (1) inherently unpredictable (such as humanitarian aid and debt relief); or (2) entails no flows to the recipient country (administration, student costs, development awareness and research and refugee spending in donor countries); or (3) is usually not discussed between the main donor agency and recipient governments (food aid, aid from local governments, core funding to international NGOs, aid through secondary agencies, ODA equity investments and aid which is not allocable by country). Finally, (4), CPA does not net out loan repayments, as these are not usually factored into aid allocation decisions (Source: Benn et al. 2010, Getting closer to the core –measuring country programmable aid).</p>
DEVELOPMENT EFFECTIVENESS	<p>Aid is only part of the solution to development. It is now time to broaden our focus and attention from aid effectiveness to the challenges of <i>effective development</i>. This calls for a framework within which:</p> <ol style="list-style-type: none"> a) Development is driven by strong, sustainable and inclusive growth. b) Governments’ own revenues play a greater role in financing their development needs. In turn, governments are more accountable to their citizens for the development results they achieve. c) Effective state and non-state institutions design and implement their own reforms and hold each other to account. d) Developing countries increasingly integrate, both regionally and globally, creating economies of scale that will help them better compete in the global economy. <p>Source: Busan Partnership for Effective Development Co-Operation Outcome Document p.9</p>

Term	Definitions
	<p>Development effectiveness is the achievement of sustainable development results related to MDGs that have country level impacts that have discernable effects on the lives of the poor and the capability of States and other development actors to transform societies in order to achieve positive and sustainable development outcomes for its citizens (Source: The Paris Declaration, Aid Effectiveness and Development Effectiveness – Evaluation of the Paris Declaration).</p>
FOREIGN INVESTMENT DIRECT	<p>Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. As well as the equity that gives rise to control or influence, direct investment also includes investment associated with that relationship, including investment in indirectly influenced or controlled enterprises, investment in fellow enterprises, debt.</p> <p>(a) <i>Immediate direct investment</i> relationships arise when a direct investor directly owns equity that entitles it to 10 percent or more of the voting power in the direct investment enterprise.</p> <ul style="list-style-type: none"> Control is determined to exist if the direct investor owns more than 50 percent of the voting power in the direct investment enterprise. A significant degree of influence is determined to exist if the direct investor owns from 10 to 50 percent of the voting power in the direct investment enterprise. <p>(b) <i>Indirect direct investment</i> relationships arise through the ownership of voting power in one direct investment enterprise that owns voting power in another enterprise or enterprises, that is, an entity is able to exercise indirect control or influence through a chain of direct investment relationships. For example, an enterprise may have an immediate direct investment relationship with a second enterprise that has an immediate direct investment relationship with a third enterprise.</p>
GROSS PRODUCT DOMESTIC	<p>A measure of economic productivity: the total value of goods produced and services provided in a country during one year.</p>
GROSS INCOME NATIONAL	<p>Another measure of economic productivity: The sum of value added by all producers who are residents in a nation, plus any product taxes (minus subsidies) not included in output, plus income received from abroad such as employee compensation and property income.</p>
ILLICIT FINANCIAL FLOWS	<p>Generally understood as the cross-border movement of capital associated with illegal activity or more explicitly, money that is illegally earned, transferred or used that crosses borders. It includes illegal acts (like corruption), funds that are the result of illegal acts (such as trafficking of people, minerals, wildlife), funds that are used for illegal purposes (such as funding organized crime.)</p>
MULTI-LATERAL AGENCIES	<p>International institutions with governmental membership which conduct all or a significant part of their activities in favor of development and aid recipient countries. They include multilateral development banks (e.g. World Bank, regional development banks), United Nations agencies, and regional groupings (e.g. certain European Union and Arab agencies).</p>
OFFICIAL DEVELOPMENT ASSISTANCE (ODA)	<p>ODA is defined as flows to countries and territories on the DAC List of ODA Recipients and to multilateral institutions which are provided by official agencies, including state and local governments, or by their executive agencies. In addition,</p>

Term	Definitions
	each transaction must be administered with the promotion of the economic development and welfare of developing countries as its main objective; and be concessional in character and conveys a grant element of at least 25% (calculated at a rate of discount of 10%).
ODA LOANS (ALSO CREDITS)	Transfers for which repayment is required. Only <u>loans</u> with maturities of over one year are included in DAC statistics. Data on net loans include deductions for repayments of principal (but not payment of interest) on earlier loans. This means that when a loan has been fully repaid, its effect on total net ODA over the life of the loan is zero.
OTHER OFFICIAL FLOWS (OOF)	Transactions by the official sector with countries on the <u>DAC List of ODA Recipients</u> which do not meet the conditions for eligibility as <u>Official Development Assistance</u> , either because they are not primarily aimed at development, or because they have a <u>grant element</u> of less than 25 per cent.
LEAST DEVELOPED COUNTRIES	The least developed countries (LDCs) are a group of countries that the UN has classified as "least developed" on the grounds of their low gross national income (GNI), their weak human assets and their high degree of economic vulnerability.
PUBLIC-PRIVATE PARTNERSHIPS	Public-private partnerships (PPP) are a collaborative arrangement between a government authority or public corporation and a private entity regarding the provision of public infrastructure or services. These partnerships are defined and mediated by legally-binding contracts, which clearly establish and allocate responsibilities, risks and rewards between the different parties. PPPs are increasingly seen as a new development finance model, and several countries have used them to scale up investments in economic infrastructure. PPPs frontload finance enabling large scale public projects to take place. However, PPPs are complex and require appropriate legislation, regulatory frameworks and technical skills. Finally, a key concern is that fiscal accounting rules tend to keep most PPPs off-budget. Since PPPs usually involve a future obligation by the government (contingent debt) this should be appropriately captured.
RESOURCE-RELATED TAX REVENUES	The resource income includes revenues from upstream exploration-to-processing activities in oil, gas and mining, i.e. principally royalties and corporate income taxes on resource extraction activities.
SOUTH SOUTH COOPERATION	South-South co-operation refers to the sharing of knowledge and resources between - typically - middle-income countries with the aim of identifying effective practices. "South-South" co-operation has revealed itself to be a major dynamic behind changing development co-operation architectures.
SOVEREIGN WEALTH FUNDS (SWFS)	Sovereign Wealth Funds (SWFs) are state-owned investment funds that allow domestic and international investments in a wide range of financial products. SWF are usually funded by the proceeds from the sale of natural resources (i.e. foreign exchange) with the purpose of saving financial resources for future generations. They can therefore enable a more efficient allocation of resources across countries (from resource-rich to resource-poor) and enhance market liquidity.
WORKERS' REMITTANCES	Remittances represent household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies. Remittances include cash and noncash items that flow through formal channels,

Term	Definitions
	<p>such as via electronic wire, or through informal channels, such as money or goods carried across borders. They largely consist of funds and noncash items sent or given by individuals who have migrated to a new economy and become residents there, and the net compensation of border, seasonal, or other short-term workers who are employed in an economy in which they are not resident.</p>