



Completion Report

Project Number: 46372-001
Loan Number: 2984
July 2015

Myanmar: Support for Myanmar's Reforms for Inclusive Growth Program

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Asian Development Bank

CURRENCY EQUIVALENTS

Currency Unit	–	kyat/s (MK)
	–	special drawing right (SDR)

		At Appraisal (6 December 2012)	At Program Completion (31 December 2014)
MK1.00	=	\$0.001173	\$0.000985
\$1.00	=	MK852.29	MK1,014.45
SDR1.00	=	\$1.5317	\$1.4488
MK1.00	=	SDR0.000766	SDR0.000680

ABBREVIATIONS

ADB	–	Asian Development Bank
CBM	–	Central Bank of Myanmar
DICA	–	Directorate of Investment and Company Administration
EITI	–	Extractive Industries Transparency Initiative
GDP	–	gross domestic product
ICPS	–	interim country partnership strategy
IMF	–	International Monetary Fund
MNPED	–	Ministry of National Planning and Economic Development (formerly Ministry of Planning and Economic Development)
MOAI	–	Ministry of Agriculture and Irrigation
MOC	–	Ministry of Commerce
MOF	–	Ministry of Finance (formerly Ministry of Finance and Revenue)
P3F	–	post-program partnership framework
PFM	–	public financial management
PSC	–	program steering committee
SDR	–	special drawing right
SMEs	–	small and medium-sized enterprises
TA	–	technical assistance
TVET	–	technical and vocational education and training

NOTES

- (i) The fiscal year (FY) of the government and its agencies ends on 31 March. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2014 ends on 31 March 2014.
- (ii) In this report, “\$” refers to US dollars.

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BASIC DATA

A. Loan Identification

1.	Country	Myanmar
2.	Loan Number	2984
3.	Program Title	Support for Myanmar's Reforms for Inclusive Growth Program
4.	Borrower	Republic of the Union of Myanmar
5.	Executing Agency	Ministry of Finance ¹
6.	Amount of Loan	SDR372.1 million (\$575.5 million)
7.	Program Completion Report Number	1514

B. Loan Data

1.	Appraisal	
	– Date Started	10 September 2012
	– Date Completed	14 September 2012
2.	Loan Negotiations	
	– Date Started	23 October 2012
	– Date Completed	25 October 2012
3.	Date of Board Approval	14 January 2013
4.	Date of Loan Agreement	14 January 2013
5.	Date of Loan Effectiveness	
	– In Loan Agreement	90 days from Loan Agreement signing
	– Actual	17 January 2013
	– Number of Extensions	None
6.	Closing Date	
	– In Loan Agreement	31 March 2013
	– Actual	31 March 2013
	– Number of Extensions	None
7.	Terms of Loan	
	– Interest Rate	1.0% per annum during the grace period 1.5% per annum during the repayment period
	– Maturity (number of years)	24
	– Grace Period (number of years)	8

8. Disbursements

a. Dates

Initial Disbursement	Final Disbursement	Time Interval
17 January 2013	17 January 2013	0 months

¹ At the time of loan signing, the Borrower was called the Ministry of Finance and Revenue; it has since been renamed the Ministry of Finance.

Effective Date	Original Closing Date	Time Interval
17 January 2013	31 March 2013	2.46 months

b. Amount: (\$ million)

Category or Subloan	Original Allocation	Last Revised Allocation	Amount Canceled	Net Amount Available	Amount Disbursed	Undisbursed Balance
01	SDR372.1 ^a \$575.5	SDR372.1 \$572.7	SDR39.8 \$61.2	SDR332.3 \$511.5	SDR332.3 \$511.5	SDR0.0 \$0.0
Total	SDR372.1 \$575.5	SDR372.1 \$572.7	SDR39.8 \$61.2	SDR332.3 \$511.5	SDR332.3 \$511.5	SDR0.0 \$0.0

^a Exchange rate as at date of loan signing was SDR 1.00 = \$1.5464

9.	Local Costs (Financed)	
-	Amount (\$)	None
-	Percent of Local Costs	None
-	Percent of Total Cost	None

C. Program Data

1. Program Cost (\$)

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost	575,500,000.00	511,529,000.00
Local Currency Cost	0.00	0.00
Total	575,500,000.00	511,529,000.00

2. Financing Plan (\$)

Cost	Appraisal Estimate	Actual
Implementation Costs		
ADB Financed	575,500,000.00	511,529,000.00
Other External Financing	0.00	0.00
Total	575,500,000.00	511,529,000.00

ADB = Asian Development Bank.

3. Cost Breakdown by Program Component: Not Applicable

4. Program Schedule

Item	Appraisal Estimate	Actual
Release of Tranche	31 March 2013	17 January 2013

5. Program Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
From 01 August 2011 to 31 December 2012	Satisfactory	Satisfactory
From 01 January 2013 to 31 December 2014	Satisfactory	Satisfactory

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members ^a
Fact-finding	10 September 2012	5	25	a, b, c, e
Technical consultative mission				
Loan negotiations	23 October 2012	5	15	a, b, c, d, e
Program review mission				
Program completion review	31 March 2015	3	12	a, c, e

^a a = financial analyst, b = counsel, c = economist, d = control officer, e = programs officer.

I. PROGRAM DESCRIPTION

1. The Support for Myanmar's Reforms for Inclusive Growth Program marked a major milestone in the relationship between the Government of Myanmar and the Asian Development Bank (ADB), facilitating ADB's reengagement with Myanmar after a 25-year hiatus. The program permitted the government to set out an aggressive agenda for reform across all major aspects of the economy and government operations, and provided the resources to achieve it. The program supported the government's efforts to develop a more inclusive economy through transformational changes to macroeconomic policy institutions, enhancing transparency and integrity in tax administration, strengthening public financial management (PFM) for better service delivery, reforming and improving the business climate, and liberalizing trade. Promotion of inclusive growth was targeted through (i) enhancements to rural and small and medium-sized enterprises' (SMEs') access to finance and trade, and (ii) revitalization of the education system to help prepare citizens for the modern workforce. The program covered the period from August 2011 through October 2012 while the post-program partnership framework (P3F) covered November 2012 to December 2014. The program was categorized C for all safeguards.

2. This program completion report evaluates the government's performance in achieving the policy targets agreed in the report and recommendation of the President (RRP),¹ and ADB's performance at appraisal and during implementation.

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

3. The program was conceived and undertaken in an environment where the government and ADB were seeking reengagement after suspension of ADB operations in 1988. The long hiatus resulted in a significant learning curve for both the government, in the context of ADB's operations, and ADB, in gaining understanding of the country and the new and rapidly evolving government systems. Working together, the government and ADB crafted a strategy to assist Myanmar on a track to sustainable and inclusive growth, targeting a number of key policy reforms critical to the stable operation of the economy, and placing Myanmar on a foundation for growth. The program was designed in close consultation with other key development partners to ensure that the program aligned with their planned support and reform efforts; this was essential to ensuring appropriate distribution of resources in required areas of the economy while avoiding critical gaps.

4. The program objectives (para. 1) were in line with and complementary to the objectives of the interim country partnership strategy (ICPS), 2012–2014.² The ICPS embraced three overarching themes: (i) building human resources and capacities, (ii) promoting an enabling economic environment, and (iii) creating access and connectivity—together promoting inclusive economic development.

5. No preparatory technical assistance (TA) was provided ahead of the program inception. However, the program permitted the government to access a relevant series of follow-on TA support, in line with the ICPS, which assisted in achieving the program outputs and outcomes.

¹ ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan to the Republic of the Union of Myanmar for Support for Myanmar's Reforms for Inclusive Growth Program*. Manila.

² ADB. 2012. *Interim Country Partnership Strategy: Myanmar, 2012–2014*. Manila.

B. Program Outputs

1. Output 1: Macroeconomic Stability, Fiscal Sustainability, and Public Financial Management Strengthened

6. As detailed in the program design and monitoring framework (DMF, Appendix 1), the achieved indicators are higher than targets set: (i) Central Bank of Myanmar (CBM) has conducted regular auctions of deposit accounts to influence the growth of reserve money regularly since September 2012, two years ahead of schedule, and (ii) registered corporate taxpayers increased from 16,000 firms in 2011 to 16,500 firms in 2014.

7. **Macroeconomic policy reforms.** The government has successfully moved to a managed float of the kyat, abolishing foreign exchange certificates and setting exchange rates with regular currency auctions under the management of the CBM. The unified exchange rate mechanism is now functioning well.

8. **Separation and autonomy of the Central Bank of Myanmar from the Ministry of Finance.** Organizationally, governance of the CBM was moved from the Ministry of Finance (MOF) to a separate board of directors, comprised of a number of independent members.³ An interagency agreement between MOF and the CBM has been signed, facilitating close coordination between the two institutions in areas such as issuance of government securities (see para. 6) while maintaining their independence from one another.

9. The CBM has made initial efforts to transition to standard auction-based issuance of government securities. The first auctions were held in September 2012, with a regular auction schedule implemented in January 2015.⁴ This was a critical step in ending the government's practice of monetizing the deficit by selling treasury bills to the CBM. It is also taken a foundational step in establishing a money market and a yield curve, which, together, will help ease the move to liberalization of interest rates.

10. MOF restructured its operations, establishing separate departments for budget, debt management, and treasury. Establishing the Treasury Department permitted the development of, and focus on, important core functions such as offices for cash and debt management, which were earlier subsumed under the Budget Department. The Budget Department was restructured into specialized functions through the fiscal policy office and intergovernmental fiscal relations office. The newly established debt management office, under Treasury, serves as a single institutional focal point for management of external as well as domestic debt, replacing the prior split roles between the CBM for domestic debt and MOF for external debt.

11. During the program, the MOF has kept the fiscal deficit at around 5%. However, this is likely to come under pressure as investment requirements, and the corresponding budgets for particular sectors, continue to grow. Maintaining a stable macroeconomic management is a major challenge for government authorities due to on-going maturation of the public financial management system and monetary policy. Prudent fiscal policy is crucial for macroeconomic stability, as the monetary policy tools currently available are basic and evolving.

³ At the time of appraisal, the executing agency was called the Ministry of Finance and Revenue; the name has subsequently been changed to Ministry of Finance.

⁴ Central Bank of Myanmar notice of Treasury Bill auction, 23 January 2015.

12. **Strengthening tax administration.** The government has undertaken measures to simplify the tax structure by eliminating many taxes, and expand the tax base by unifying taxation category thresholds. It has established a large taxpayers' office. It has also formalized the reporting system for natural gas export revenues, ensuring that these data are properly captured and accounted for. The government's efforts under the program have led to an overall doubling of the rate of tax collection as a percentage of gross domestic product (GDP) from 4% of GDP at the outset of the program to 7.7% of GDP in FY2014.⁵

13. **Improving public financial management.** A major thrust of the program was to increase budget transparency. Part of this effort was the need to create more accurate and internationally compliant accounts for all government ministries. To assist with better fiscal planning, the government has committed to adopt a medium-term fiscal framework. It is carrying out widespread consultations with civil society as well as local government entities to solicit inputs to and receive feedback from the budget preparation process—as part of the government's drive under the program to move toward a “citizen's budget.”⁶

14. The mining sector is a major source of national revenue and trade flows. To provide a clearer picture of how the government benefits from the mining industry, the government has vowed greater transparency on mining operations. Accordingly, during the P3F, the government has completed the requirements to be accepted as a candidate for membership in the Extractive Industries Transparency Initiative (EITI).⁷

2. Output 2: Investment, Trade, and Financial Integration Improved

15. As detailed in the DMF, the achieved indicators are higher than the targets set in the program: (i) foreign direct investment (FDI) projects increased by 732% since FY2010 (albeit from a small base), with 3,777 investment projects approved by year-end 2014; (ii) MOF has moved to a negative list approach, where most imports and exports no longer require licensing; (iii) the time taken to issue both import and export licenses for non-restricted items has been reduced from up to several weeks in 2010 to within 24 hours in 2014; (iv) the time required to start a business in FY2014 was cut from 90–180 days to approximately 72 days, a 20% to 40% decrease from 2012⁸; and (v) the national financial assets to GDP ratio increased to 51.5% of GDP in FY2014, a 25 percentage point increase from FY2010 (footnote 5).

16. **Enabling environment for private sector and small and medium-sized enterprise development improved.** The government has implemented efforts to improve the investment environment. During the program, the Foreign Investment Law, 2012, was overhauled, putting in place strong incentives for FDI.⁹ Work has been completed on revisions to and modernization of

⁵ International Monetary Fund. 2014. *Myanmar Article IV Consultation Report*. 14-307. Washington DC.

⁶ A citizens' budget is a non-technical presentation, in plain, easily comprehensible language, to enable a broad public understanding of the government's plans for raising revenue and allocating and spending public funds in light of policy goals.

⁷ Decision of the Extractive Industries Transparency Initiative Board, 2 July 2014, Mexico City. For more information, see <https://eiti.org/news/myanmar-admitted-eiti-candidate>.

⁸ World Bank Group. 2014. *Doing Business 2015: Myanmar*. Washington, DC.

⁹ Parliament enacted both the Foreign Investment Law and the separate Myanmar Citizens' Investment Law in 2012. While these laws represented great advancement in investor rights and protections, it retained a separation between foreign and domestic investors. Government has since realized that this may lead to inefficiencies or unintended consequences, particularly in foreign-domestic joint ventures. Accordingly work is in progress in 2015 on “The Investment Law of the Republic of the Union of Myanmar”, which unifies and harmonizes all private investment in a single category.

the Myanmar Companies Act, 1914, undertaken with broad public and private sector consultations. The amended act is to be put to a vote in Parliament within 2015.

17. Overall, the government's investment climate efforts have yielded excellent results, with annual foreign company registrations rising from only 30 in FY2010 to over 1,000 in FY2013. Commensurate with this increase in registrations, FDI approvals increased dramatically from only \$300 million in FY2010 to over \$4 billion in FY2013.¹⁰

18. **Increasing trade integration.** During the program, the government made great strides to liberalize and facilitate trade. Foremost was a fundamental restructuring of the licensing regime for imports and exports, shifting from nearly 100% licensing requirements to a negative list that includes very few strategic goods. With ADB assistance, the government implemented all efforts and preparation required to facilitate the World Trade Organization's first trade policy review.¹¹ The government has completed a diagnostic study to scope requirements for improving sanitary and phytosanitary trade (SPS) regime standards that would facilitate acceptance of Myanmar-produced goods in the international market and to similarly ease access for imports. During the program, trade integration and liberalization efforts yielded great success, increasing trade flows by 75% from FY2010 to FY2013, from \$14 billion to \$25 billion.

3. Output 3: Rural Development for Inclusive Growth Stimulated

19. Government efforts in rural development focused on improving the productivity of the agriculture sector by using improved technology, abolishing taxes on exports, and providing farmers increased access to credit. Improvements to credit access focused on enhancing the microfinance sector and expanding the number of crops and commodities that can be used as collateral for loans. This has benefitted both farmers and SMEs. The number of microfinance institutions (MFIs) increased from just nine in 2009 to 215 by the end of 2013, and the number of accounts for both savings and loans increased more than sevenfold from about 385,000 in 2009 to over 2,800,000 in 2012.¹² However, the targets set for the outputs examining the share of rural households with loans increased over the base year and disaggregated by gender of household head cannot be monitored because of delays in various studies. Data to show the progress are expected to be available in 2017.

4. Output 4: Human Capital Development for Inclusive Growth Promoted

20. The government achieved higher performance than targets set in the DMF for budget allocations to the Ministry of Education (MOE), increasing from MK310 billion in FY2011 to MK908 billion in FY2014. As part of program targets, government agreed to enact a comprehensive National Education Law (NEL) that would allow private institutions access to the education at the primary, secondary and tertiary levels. Despite MOE complying with the milestone of delivering the NEL to the floor of parliament during the P3F, debate on the scope and longer-term intentions of the NEL caused Parliament to return the draft to MOE and request the ministry to take a revised approach. Subordinate laws—the Technical and Vocational Education and Training (TVET) Law and the Private University Law—are held in abeyance while the NEL is being revised. Therefore, progress on registering at least three private institutions to

¹⁰ Source: Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, Government of Myanmar.

¹¹ World Trade Organization. 2014. *Trade Policy Review: Myanmar* (Document WT/TPR/S/293). Geneva.

¹² International Finance Corporation and the Consultative Group to Assist the Poor. 2013. *Microfinance in Myanmar Sector Assessment*. Washington, DC. Additional data obtained from the Myanmar Microfinance Supervisory Enterprise, Ministry of Finance.

provide education services in each TVET and higher education subsector has been delayed. Despite this, government remains committed to expand tertiary education access through both public and private sector routes and, as such, MOE is diligently working to create a revised draft NEL that balances concerns.

21. Education sector policy development. At appraisal, the government sought to improve the efficiency and relevance of the education sector in contributing to economic growth and improved social welfare. It led a review of the education sector, the Comprehensive Education Sector Review (CESR), in collaboration with major development partners including ADB. The main features of the CESR are (i) identifying gaps and policy priorities for access, quality and relevance, and sector management; and (ii) mainstreaming analysis across gender, socioeconomic, and geographic dimensions. In parallel with this review, the government has focused on overall financial management of the education sector, seeking to introduce greater transparency and performance assessment metrics. A curriculum review was proposed to forge stronger links with the evolving domestic labor market to help produce a more appropriately trained workforce. Taken together, the CESR and curriculum review were used to identify “quick win” programs and create inputs for a longer-term and more comprehensive five-year National Education Sector Plan (NESP).¹³ The quick wins are focused on reinvigorating the secondary, post-secondary, and higher education sector; and yield productive outcomes.

22. Enhancing planning and funding for the education sector. At appraisal, the government mobilized additional funding for education to achieve better sector coverage and performance. During the program, the government consistently raised the education budget year on year, reflecting its focus on education sector promotion and improvement. From FY2014 to FY2015, the approved Union budget allocation for the Ministry of Education (MOE) alone—not including other ministries that provide education services—rose to about \$1.4 billion, an increase of almost 22%. Within MOE’s FY2016 budget, the ministry expects to allocate more than \$200 million to quick-win programs identified through the CESR.

C. Program Costs

23. The program was financed through a single tranche of SDR334,000,000 sourced from ADB’s Asian Development Fund. The program was sized to match estimated debt in arrears due to ADB from prior operations with the government. Disbursement was beneath the appraised loan amount of SDR372,138,000 (equivalent to \$575,500,000 at time of approval) approved by ADB’s Board of Directors on 14 January 2013. At the time of disbursement, it was determined that \$511,529,000 was the debt determined to be in arrears at that date. The remainder of the approved loan amount was immediately canceled.

D. Disbursements

24. The program loan was disbursed in a single tranche on 17 January 2013, the same day as loan effectiveness and only three days after loan approval. As such, the program implementation was highly efficient.

¹³ “Quick wins” in education is the government-defined term comprising nine, short-term improvement activities in the education sector as part of the government-wide Framework for Economic and Sector Reform, 2012. The government took this approach to enable some delivery of education sector improvements while it was undertaking, in parallel, its Comprehensive Education Sector Review, which would lead to the longer-term National Education Sector Plan.

E. Program Schedule

25. No delays were incurred in program implementation and no requests were made for extension. The program was implemented immediately. Driving this was a desire for the government to resume normal country operations with ADB in order to begin delivering on its reform agenda.

F. Implementation Arrangements

26. MOF was the executing agency for the program. MOF established a program steering committee (PSC) to oversee implementation of the reforms associated with the program. The PSC comprised the CBM, the Ministry of Agriculture and Irrigation, the Ministry of Commerce, the Ministry of Education, the Ministry of Industry's SME Center, and the Ministry of National Planning and Economic Development's DICA. At appraisal, it was indicated that the PSC would meet semiannually.

G. Conditions and Covenants

27. No delays were incurred in meeting the conditions for effectiveness. None of the covenants were modified, suspended, or waived during program implementation. An overview of the covenants and the borrower's degree of compliance is summarized in Appendix 2.

H. Related Technical Assistance

28. No specific TA was provided to prepare the loan. ADB did approve and implement 3 TA projects after the program to support selected reform measures outlined in the P3F which were relevant to the program's implementation and achievements.¹⁴

I. Performance of the Borrower and the Executing Agency

29. MOF was the correct and logical choice of executing agency for the program, based on ADB's engagement with the government ahead of the program's inception and MOF's ability to oversee the fiscal aspects of the program. The PSC coordinated well to design and implement the program. Post-program, the PSC met only on an ad hoc basis, given the large scope and detailed reform goals the government sought to implement. While reform progress has been good, potentially progress could have been enhanced if the PSC had met more frequently to review progress in light of ongoing reform efforts and economic performance.

30. Given the ambitious scope of the program, and the government's overall reform program, the government should be commended on how much it was able to achieve in a relatively short period. ADB's subsequent TA projects, provided across critical parts of the PFM value chain,

¹⁴ Technical assistance projects relevant to the program provided during the program period were: Asian Development Bank (ADB). 2012. *Technical Assistance to Myanmar for Improving the Business Climate*. Manila; ADB. 2012. *Technical Assistance to Myanmar for Trade Policy Development*. Manila; and ADB. 2012. *Technical Assistance to Myanmar for Fiscal Revenue Mobilization*. Manila. Relevant technical assistance projects relevant to the program reforms provided during the P3F period: ADB. 2013. *Technical Assistance to Myanmar for Support for Strengthening Public Debt Management*. Manila; ADB. 2013. *Technical Assistance to Myanmar for Financial Sector Reforms*. Manila; and ADB. 2014. *Technical Assistance to Myanmar for Strengthening Institutions for a Better Investment Environment*. Manila.

allowed the government to greatly improve areas of operations and governance targeted for reform.

31. Overall, based on the scope, scale, speed, and results of reform efforts under the program, and the nascence of the executing agency's experience and prior engagement with ADB, the executing agency's performance under the program was *satisfactory*.

J. Performance of the Asian Development Bank

32. ADB was highly efficient in processing the program with the government, supporting it through ADB Board and government approvals, and meeting all conditions for loan implementation. This efficiency was evidenced by the ability to disburse funds immediately upon signing.

33. ADB rapidly followed the program with three complementary TA projects to support targeted reforms across highly relevant areas of the Myanmar economy and its public management. In addition, within the 12 months following approval of the program, ADB implemented 17 TA projects across multiple sectors and ministries, including MOF.

34. The efficient processing and implementation of the program was due to the extensive nature of consultations with government ahead of program approval. In the post-program partnership period, ADB out-posted an international public financial management staff to work with the relevant government agencies on a daily basis and to directly oversee implementation of key PFM TA projects. This greatly contributed to engagement and consistency of ADB advice and support to government in its ongoing reforms.

35. Under the program, the government had full latitude to direct the nature, scope, and pace of reforms, yet faced significant challenges. While ADB could have monitored the program more closely, ADB's broad and deep engagement with the government—through out-posting of staff and the provision focused, relevant, and complementary TA—greatly assisted the government in achieving program performance targets, in a focused and highly engaged manner. ADB's performance was *satisfactory*.

III. EVALUATION OF PERFORMANCE

36. The following evaluation is based on a comparison of program results with the Independent Evaluation Department guide on program evaluation and the Organisation for Economic Co-operation and Development guidelines on budget support programs.¹⁵

A. Relevance

37. The program is rated *highly relevant* both at the time of approval (ex ante) and at the time of evaluation (ex post). The program assisted the government to reintegrate with the global economy, improved aid flows to sectors in critical need of reform and development, and helped coordinate these efforts.

¹⁵ Organisation for Economic Co-operation and Development, Development Assistance Committee Network on Development Evaluation, Budget Support Evaluation Steering Group. 2012. *Evaluating Budget Support: Methodological Approach*. Paris.

B. Effectiveness in Achieving Outcome

38. The program was *effective* in catalyzing a wide range of reforms across the government. This was driven by the program that provided a relevant, critical mass of funds to a government that was highly motivated to effect change.

C. Efficiency in Achieving Outcome and Outputs

39. The process employed to develop the program and deploy its resources was *efficient*. Engagement with the government progressed rapidly, and the necessary performance measures and agreements were put in place quickly and efficiently. The program disbursed fully within days of approval by both ADB and the government. ADB responded well in identifying, processing, and implementing critical TA support that assisted the government in achieving its reform targets and by placing a dedicated international staff resource in the field. As such, the government was able to move expediently on implementing the program's reform agenda. ADB's support added value to the government's pursuit of its reform agenda. The program goals were achieved, and, given the government's pace and focus on reform, it has already made great strides in achieving the goals set out for the P3F. In both the program and under the P3F where reform goals have been achieved, attainment far exceeds targets. The DMF in Appendix 1 and policy matrix in Appendix 3 contain more details.

D. Preliminary Assessment of Sustainability

40. The broad scope and low base entry point for most of the reform measures under the program meant that progress against targets has been rapid and the scale of reform-driven economic benefits derived from the program have been large. Initial reforms have had large-scale positive impacts—freeing up capital flows, allocating government budget and human resources more optimally, and allowing private sector participation in public service areas. The reforms that have been put in place have focused on fundamental elements of economics and governance, and for the foundation for inclusive economic growth. Further, government's early P3F target attainment in numerous areas demonstrates its commitment to reform and adds credence to the sustainability of the outcomes under the program. The reforms put in place to date are *most likely* to be sustained in government operations going forward.

41. No impacts on the environment, involuntary resettlement, or indigenous peoples occurred, as anticipated at program appraisal.

42. Looking ahead, maintaining such a pace and breadth of reform efforts over an extended period may prove difficult for the government. The next wave of reforms will need to be more detailed and fine-tuned, leading to increasing complexity, and the need for increased planning, more detailed reform design, and additional time for implementation. However, evolving and adjusting these reforms may require deeper and more complex restructuring, new laws, new planning, deeper institutional development, and economic policy thrusts, among others.

43. Given Myanmar's long period of disengagement from the international community—and associated lag in domestic investment, development, and reforms in infrastructure and public services—Myanmar runs the risk of encountering an extended period of inflation, fueled by large capital inflows needed for investments the economy requires to catch up with latent demand and need. There may be a temporary lag in seeing the incremental economic growth benefits from these capital investments—whether for domestic consumption or for export-oriented industries—as they will require lead-time to complete construction and begin operations.

Despite this, any such effects are expected to be temporary, linked solely to the start-up time required to realize productive investments.

E. Institutional Development

44. The government and its revised approach to governance had only been in place slightly over two years at the time of program approval. Major changes to the institutional structure, scope of work and responsibilities, and ownership of service delivery outcomes were implemented during this period. The program promoted broadening and deepening of these institutional changes, and made way for a wave of TA support across most aspects of government operations—not only from ADB but from other development partners as well. While great strides have been taken in improving the output and efficiency of government institutions, the learning curve has been steep. As with any rapid change from long-term positions, areas remain where deeper reforms and greater improvements can be made. But the program has set the foundation to tackle these issues, and to evolve and improve government policies and bureaucratic operations. Taken together and on balance, the program's impact on institutional development has been *significant*.

F. Impact

45. Through reforms that have taken place under the program, the government has been able to double its tax revenue, increase foreign trade, reduce the cost of trade and consumption, increase private investment, stabilize the macroeconomy, and accelerate economic growth. By so doing, it has been able to raise significant numbers of its populace out of poverty. The outcomes of the program are in line with those envisioned in the program impact assessment undertaken prior to the program's circulation to the Board.¹⁶ Review of the performance metrics in the DMF and policy matrix clearly shows that the program's impact has been *substantial*.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

46. The program was implemented as designed at appraisal without deviation from the originally agreed content or intended outcomes.

47. Overall, the program is rated *successful*, reflecting the weighted average of the individual ratings for the six primary program evaluation criteria: relevance, effectiveness, efficiency, sustainability, institutional development, and impact. This conclusion is based on the policy achievements within the program, as defined in the DMF agreed with the government at appraisal. Further, the government has demonstrated commitment to sustained and expanded reforms ensconced in the program by achieving a majority of the performance targets for the P3F ahead of schedule and greatly above targets. This is a tribute to the effectiveness of the reforms. As of the date of this evaluation, only two of 21 P3F activities in the policy matrix have not been attained and five activities are being implemented; all together the government is addressing or progressing against all targets. Those reform actions that have been fully completed have not only achieved the targeted performance, but have in many cases exceeded even the medium-term direction targets (Appendix 3). The public financial management focused

¹⁶ ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan to the Republic of the Union of Myanmar for Support for Myanmar's Reforms for Inclusive Growth Program*. Summary Program Impact Assessment. Manila.

TA mobilized to support various aspects of the reforms under the program supported the government in making program-related achievements. This performance was enhanced by having a dedicated ADB PFM international staff in the field. The government achieved its goals of reengaging with international development finance institutions, greatly accelerating its reforms, and reaching—and often exceeding—the reform goals agreed with ADB under the program across a wide swathe of sectors, governance, and PFM areas.

B. Lessons

48. Myanmar presented a unique opportunity for ADB to launch a deeply impactful, highly relevant series of supports to help the government rejoin the global economy, accelerate economic growth, alleviate poverty, and develop the foundations for the long-term sustainable growth of the economy. ADB's approach to reengagement was proactive and positive; through consultations with government, the appraisal team ascertained key drivers of reform and focused on those with high impact.

49. With the reopening of Myanmar after so many years in relative isolation, the scope of development need was massive. Clearing of arrears was only the start of development support requirements. The government was highly motivated, spurred on by the visible benefits countrywide of the change and reform agenda on which it had embarked. However, the government's lack of familiarity with development finance institution protocol, project design and processing requirements, and implementation management and monitoring requirements has meant that subsequent deployment of development support resources could be more efficient.

50. The program shows that it is important to have well considered and immediately actionable support TA projects available to assist government in areas of high need, great challenge, or unfamiliarity. The three TAs implemented in support of the program reforms were effective in supporting government. The most important of these—the Support for Public Financial Management TA—is on going and should be sustained. In retrospect, given the nascent nature of Myanmar's reengagement, it may have been appropriate to have additional TA support on stand-by while observing government's progress on reforms. Yet it was prudent to take a cautious approach at first before adding additional supports and personnel.

51. The government's goals were clear, leading to clear program goals. Going forward, implementation can be improved through provision of deeper, focused TA and additional engagement directly between ADB specialists and the government over extended periods of time.

C. Recommendations

52. The program was effectively designed and efficiently implemented by a highly motivated government. Performance has been positive and outcomes exemplary. Only minor recommendations are necessary for implementation and monitoring. When addressing major policy reform issues, particularly in a emerging economy such as Myanmar, ADB should consider providing extra missions—beyond what is ordinarily called for in typical program-based client monitoring protocol and consistently and actively engage with the PSC, the executing agency, and the government ministries and departments responsible for creating and enacting the reforms.

1. Program Related

53. **Future monitoring.** Given the massive scope of government reforms and accelerated rate of change the government continues to pursue for the economy, any future interventions should make provisions for enhanced and more frequent monitoring and consultations with the government. This should run in parallel with more focused support and interventions through TA and subsequent lending, as the velocity and scope of change warrants direct ADB consultation both at the sector level (within targeted TA projects) and the crosscutting national level (leading to enhanced public strategy and management). ADB should encourage more frequent convening of the government's PSC, and attend as an active observer in order to promote and encourage the government to monitor the progress of and benefits achieved from the broad scope of reforms being implemented. The results of such monitoring should continue to be shared with other development partners via the financial sector working group to improve understanding of the progress on reforms across all donor programs and to identify areas of challenge or potential improvement.¹⁷

54. **Executing agency assessment and support.** The executing agency and the implementing agencies would benefit from enhanced training and guidance from ADB on reporting on ADB programs, TA and projects. ADB should encourage and support the government in gathering the necessary data and documentation to monitor, evaluate, and manage program-related investments and results more fully ahead of the program performance evaluation report (PPER).

55. **Covenants.** The covenants in the loan agreement were suitable for the program and the borrower. None should be modified or waived. It is recommended that ADB consider providing additional guidance to government on formulating reporting measures and fulfilling those reporting requirements, at least until it becomes more familiar with ADB processes.

56. **Further action or follow-up.** It is recommended that ADB engage with the executing agency to promote compliance with the reporting covenants of the loan agreement. This will also help ADB and the government to determine and quantify program performance over the longer term. Such engagement is well suited and complementary to ongoing support for the executing agency through parallel TAs 8527 and 8532; it is recommended that activities to help achieve program targets are integrated with this TA support.¹⁸

57. **Additional assistance.** The program is the first step in a much longer, challenging, yet very promising path on which the government has embarked. Continued reforms, operational and management capacity development, improved information systems, and refined governance are all required continue to be required across all ministries of government. Myanmar is at a stage where such improvements must take place quickly, but in a logical, evolutionary manner in order to cement the benefits of the reforms and entrench new government planning, budgeting, policy, and operational paradigms into its culture. The scope, nature, and duration of reforms are so great that ADB can still do much to assist the government. ADB should continue to pursue a three-pronged approach, spearheaded by capacity and policy

¹⁷ ADB is engaged in a number of sector working groups with the government and other development partners, including the finance sector, education, and energy. This has ensured that critical reforms and capacity development have been well covered amongst development partners, without gaps, and not duplicated.

¹⁸ Asian Development Bank. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Support for Strengthening Public Debt Management Project*. Manila.
Asian Development Bank. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Financial Sector Reforms Project*. Manila.

advisory TA and supported by specific project loans and additional program support. It is recommended that such support be front-end loaded as soon as practicable as the needs, learning, and ability to mold and adapt are greatest now.

58. **Timing of the program performance evaluation report.** It is not necessary to delay preparation of the PPER. Accelerating its preparation may even be justified, given the rapid pace and massive scope of reform, change, and growth taking place in the Myanmar economy, particularly as a result of program actions. The next round of ADB support should follow relatively quickly and on a greater scale. Having a PPER would provide ADB Management and the government knowledge of where support is required, the nature of that support and that additional support would achieve the desired outcomes. However, timing of the PPER should take into account two considerations. First, the executing agency needs to improve its performance reporting for program-related investments in order to provide more accurate measurement of costs and benefits. Second, it would be appropriate to wait for the results of the Second Integrated Household Living Conditions Survey for Myanmar to be completed and published in order to obtain a better estimate of program impacts.¹⁹

2. General

59. Support for government reform efforts and sector development activities would benefit from receiving enhanced support from ADB. Given the scale and scope of need within Myanmar, there remains time and opportunity for ADB to design and deliver enhanced support. Additional on-the-ground guidance and advice from ADB specialists in sectors and thematic areas supporting reforms would be beneficial to continued government policy reform achievements, particularly in the area of PFM.

¹⁹ Delivery of the Second Integrated Household Living Conditions Survey for Myanmar is anticipated in late 2017.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Status as of December 2014
Impact Improved inclusive growth	By end of 2017: (i) Share of wage employment in total urban employment increased over base year (2010 = 36.2%) (ii) Share of wage employment in total rural employment increased over base year (2010 = 12.9%) (iii) Per capita consumption (adjusted to inflation) of poorest 30% of households increased by 15% over base year (2010 = MK340,438)	Integrated Household Living Conditions Survey in Myanmar: Poverty Profile, MNPED ^a	Share of wage-based employment at the end of 2014 totaled: Urban: TBD ^a Rural: TBD ^a Per capita consumption: TBD ^a
Outcome Strengthened policy frameworks in selected sectors (macro, trade, finance, investment, agriculture, education)	By end of 2015: (i) Tax revenue to GDP increased by 2 percentage points over base year (FY2011 = 4% of GDP) (ii) Number of registered firms increased by 20% over base year (FY2010 = 25,108) (iii) Number of registered SMEs owned by women increased by 25% over the base year (FY2010 = TBD) (iv) Non-gas exports (agriculture and manufactured goods) increased by 35% over base year (FY2010 = \$6.5 billion) (v) Approved union budget for FY2015 embeds sequenced priorities identified in the NESP (formerly CESP) with gender issues integrated	MOF DICA and National Statistics Office of MNPED SME Center Statistics Office of MNPED Ministry of Education; publication of CESR and CESP documents	Tax revenue to GDP increased to 7.7% of GDP in FY2014, a 93% increase over FY2011 (achieved) Number of registered companies increased to 46,974 in 2014, an 87% increase over FY2010 (achieved) Number of SMEs owned by women and registered TBD ^a (TBD) Non-gas exports increased to \$10 billion in FY2014, a 54% increase (achieved) The Union budget allocated to education has included quick-win elements for FY2015 and FY2016, and has set out a medium-term sector development plan using the results of the NESP. The

			budget was increased 22% to \$1.4 billion in FY2015. (achieved)
Outputs 1. Macroeconomic stability, fiscal sustainability, and public financial management strengthened	By end of 2014: (i) CBM conducts regular auctions of CBM deposit accounts at CBM to influence growth of reserve money (ii) Number of registered corporate taxpayers increased over base year (2011 = 16,000)	CBM website MOF annual tax report	First auction conducted in September 2012 (achieved) Registered corporate taxpayers totaled 16,500 in 2014 (achieved)
2. Investment, trade, and finance sector integration improved	By end of 2014: (i) Number of FDI projects increased by over 10% over the base year (FY2010 = 24 new projects with total accumulated projects = 454) (ii) Number of import and export items on the non-automatic licensing list reduced over base year (2011 = all items on non-automatic licensing list) (iii) Time it takes to import goods reduced by 20% over base year (2012 = TBD) (iv) Time it takes to export goods reduced by 20% over base year (2012 = TBD) (v) Time it takes to start a business reduced by 30% over base year (2012 = 90–180 days) (vi) Share of financial assets to GDP increased by 3 percentage points over base year (2010 = 26% of GDP) ^a	DICA MOC list of items on non-automatic and automatic list ADB investment survey 2012 and 2014 ADB investment survey 2012 and 2014 ADB investment survey 2012 and 2014 CBM (measured by broad money supply to GDP)	FDI projects increased by 732% over FY2010, with a total of 3,777 investment projects approved (achieved) MOF has moved to a negative list approach, where most imports and exports no longer require licensing (achieved) Time taken to issue both import and export licenses has been reduced from up to several weeks in 2010 to within 24 hours in 2014 (achieved) Time reduced to 72 days, a 20%-40% decrease from 2012 (achieved) Financial assets to GDP increased to 51.5% of GDP in FY2014, a 25 percentage point increase (achieved)
3. Rural development for inclusive growth stimulated	By end of 2014: (i) Number of MFIs increased over base year (2009 = 9) ^c	MOF	Number of licensed MFIs totaled 215 as of October 2014 (achieved)

	<p>(ii) Share of rural households with loans increased over base year and disaggregated by gender of household head (2010: male heads = 33.2% and female heads = 32.0%)</p> <p>(iii) Number of loan and savings accounts held at MFIs increased by 25% over base year (2009 = 385,285 borrowers)^c</p>	<p>Integrated Household Living Conditions Survey in Myanmar: Poverty Profile^a</p> <p>Ministry of Planning and Economic Development</p>	<p>Male heads: TBD^a Female heads: TBD^a</p> <p>MFI-based loan and savings account holders are estimated to exceed 2,800,000 as of year-end 2012, representing a sevenfold increase over FY2009^d (achieved)</p>
4. Human capital development for inclusive growth promoted	<p>By 2014:</p> <p>(i) Budget allocations to Ministry of Education more than doubled in FY2013 union budget over the base year (FY2011 = MK310 billion)</p> <p>(ii) At least three private institutions registered to provide education services in each TVET and higher education subsector</p>	<p>MOF</p> <p>Ministry of Education</p>	<p>Budget allocation in FY2014 was MK908 billion, representing a 192% increase over FY2011 (achieved)</p> <p>National Education Law drafted, addressing private institutions, but has been returned by Parliament for revision; subordinate laws—the TVET Law and Private University Law—are held in abeyance while the master education law is being revised (delayed)</p>

ADB = Asian Development Bank, CBM = Central Bank of Myanmar, CESP = Costed Education Sector Plan, CESR = Comprehensive Education Sector Review, DICA = Directorate of Investment and Companies Administration, FDI = foreign direct investment, FY = fiscal year, GDP = gross domestic product, MFI = microfinance institution, MOC = Ministry of Commerce, MOF = Ministry of Finance, MNPED = Ministry of National Planning and Economic Development, NESP = National Education Sector Plan, SMEs = small and medium-sized enterprises, TBD = to be determined, TVET = technical and vocational education and training.

^a At the time of appraisal, the Interim Home and Living Conditions Survey was expected to be conducted in 2014 for distribution in 2015. However, the survey coordinators decided to delay conducting the study until 2016, and data from the survey will not be ready until the end of 2017. A smaller, Myanmar Poverty and Living Conditions Survey, led by the World Bank with inputs from ADB, was performed in late 2014–early 2015, with results due out late 2015.

^b Data from Euromoney Institutional Investor's CEIC Data proprietary database.

^c The Agency for Technical Cooperation and Development, the Banking with the Poor Network, and the Foundation for Development Corporation. 2010. *Microfinance Industry Report: Myanmar*. Australia.

^d International Finance Corporation. 2013. *Microfinance in Myanmar: Sector Assessment*. Washington, DC.

Source: Asian Development Bank.

STATUS OF COMPLIANCE WITH LOAN COVENANTS

Covenant	Reference in Loan Agreement	Status of Compliance
In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to the Loan Agreement.	Section 4.01	Complied with
The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to record the progress of the Program.	Section 4.02 (a)	Complied with
The Borrower shall ensure that ADB's representatives shall be able to inspect any relevant records and documents referred to in paragraph (a) of this Section	Section 4.02 (b)	Complied with
As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.	Section 4.03 (a)	Complied with
The Borrower shall furnish, or cause to be furnished, to ADB semiannual reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.	Section 4.03 (b)	Partially complied with; reporting provided ad hoc
The Borrower shall ensure that all policy actions adopted under the Program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Program and thereafter.	Schedule 4 (2)	Complied with
The Borrower shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.	Schedule 4 (3)	Complied with
The Borrower shall ensure that the Counterpart Funds are used to finance the implementation of certain programs and activities consistent with the objectives of the Program.	Schedule 4 (4)	Complied with
The Borrower, [MOF] and the Program Implementing Agencies shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.	Schedule 4 (5)	Complied with

ADB = Asian Development Bank, MOF = Ministry of Finance.

Source: Asian Development Bank.

POLICY MATRIX

Policy Actions	Policy Based Loan Summary of Accomplishments from Aug 2011–Oct 2012 Prior expected actions (or triggers) in bold	Post-Program Partnership Framework, Nov. 2012–Dec. 2014	Medium-Term Direction, Aug. 2011–Dec. 2015	Performance as of Dec. 2014
1. Macroeconomic stability, fiscal sustainability, and public financial management strengthened				
1.1 Macro-economic policy reforms	<p>The Government has initiated a series of major monetary reforms aimed at stabilizing the macro-economy with a view to achieving low and stable rates of inflation and encouraging employment-generating investment. Key reforms included:</p> <p>(1) The Government (through CBM) established a managed floating exchange rate policy and a reserve money targeting framework with the aim of providing a nominal anchor for macroeconomic stability. Key reforms undertaken to establish the policy include: (i) abolished the pegged Kyat to SDR exchange rate; (ii) established retail market for foreign exchange; (iii) established foreign currency auctions and interbank trading; and (iv) approved regulation for deposit and credit auctions and started implementing interest</p>	<p>(1) CBM makes policy pronouncement and implements the policy to phase out all remaining exchange restrictions, and unify all the remaining exchange rates, including phasing out of foreign exchange certificates (FEC)</p> <p>(2) CBM completes new organizational structure and makes progress in implementing mandates under the new CBM law, including its monetary policy framework</p>	<p>(1) CBM established unified and managed floating exchange rate and a reserve money targeting framework.</p> <p>(2) CBM conducts regular auctions for interest earning deposit accounts to influence reserve money growth</p>	<p>P(1). Achieved. Currency is floating.</p> <p>P(2), P(3). Achieved. CBM operates autonomously under its own board.</p> <p>P3F (1) and MTD (1) Accomplished. FECs abolished and currency unified.</p> <p>P3F (2) Achieved. Law passed and implemented. Overall, CBM is independent of MOF, with its own board of directors which includes independent members. CBM and MOF coordinate with each other under a memorandum of understanding, but CBM is under no obligation to fund or be directed by MOF.</p> <p>MTD (2). CBM migrated to a regularly run, independent currency auction system.</p>

Policy Actions	Policy Based Loan Summary of Accomplishments from Aug 2011–Oct 2012 Prior expected actions (or triggers) in bold	Post-Program Partnership Framework, Nov. 2012–Dec. 2014	Medium-Term Direction, Aug. 2011–Dec. 2015	Performance as of Dec. 2014
	<p>earning deposit auctions to target reserve money.</p> <p>(2) The Government drafted amendments to the Central Bank Law. The draft law provides the Central Bank of Myanmar (CBM) with:</p> <p>(i) some operational autonomy with corresponding accountability; and (ii) mandated to conduct open market operations.</p> <p>(3) The Government approved new organizational structure of the CBM to support implementation of expanded and strengthened mandates provided for by amendments to CBM law. The new organizational structure provides for oversight of the CBM by a Board of Directors which will include significant representation by independent directors, and also provides for a 75% increase in staff strength to be phased in over several years.</p>			
1.2 Tax policy and	The Government has undertaken measures for	(3) Government (through MOF) establishes high level	(3) Government develops and starts implementing tax	P(4). Achieved. Tax laws published in both languages

Policy Actions	Policy Based Loan Summary of Accomplishments from Aug 2011–Oct 2012 Prior expected actions (or triggers) in bold	Post-Program Partnership Framework, Nov. 2012–Dec. 2014	Medium-Term Direction, Aug. 2011–Dec. 2015	Performance as of Dec. 2014
administration strengthened	<p>simplifying tax structure and strengthening revenue administration to ensure broader tax bases and higher and more stable tax revenues. Key measures included:</p> <p>(4) The Government (through MOF) strengthened transparency of the tax regime by: (i) publishing its income tax law and commercial tax law in both Myanmar and English on its website; and (ii) implemented tax payer education program to disseminate tax information.</p> <p>(5) The Government (through MOF) undertook measures to simplify and update income tax regime, including: (i) abolished and replaced gross profit tax with net profit tax; (ii) increased taxable income thresholds for salary earners; and (iii) abolished differential corporate tax rates on foreign exchange earnings.</p>	Tax Administration Reform Steering Committee to oversee development of a well sequenced tax reform road map	<p>reform program</p> <p>(4) Tax revenue to GDP increases by 2 percentage points from FY2012 base year of 4% of GDP</p> <p>(5) Number of registered corporate taxpayers increased over base year (2011 = 16,000)</p>	<p>and taxpayer educations programs implemented.</p> <p>P(5) and P(6). Achieved. Tax code simplified, categories reduced.</p> <p>P3F (3) and MTD (3). In progress. Government has modified taxation levels and classes, and moved to rationalize system. Large taxpayer office has been established, covering over 460 businesses. Self-assessment of tax will commence in FY2016. Government continuing to progress tax system with IMF support.</p> <p>MTD (4). Achieved. Tax revenue to GDP ratio increased to 8% of GDP in FY2014.</p> <p>MTD (5). Achieved. Number of corporate taxpayers increased to over 16,500 in FY2014.</p> <p>Government is refining the tax reform road map under TA from the IMF.</p>

Policy Actions	Policy Based Loan Summary of Accomplishments from Aug 2011–Oct 2012 Prior expected actions (or triggers) in bold	Post-Program Partnership Framework, Nov. 2012–Dec. 2014	Medium-Term Direction, Aug. 2011–Dec. 2015	Performance as of Dec. 2014
	(6) The Government (through MOF) rationalized commercial tax on goods and services by reducing the number of different tax rates applied as well as expanding the number of services subject to the commercial tax.			
1.3 Public financial management improved	<p>The Government implemented steps to enhance budget transparency. Key measures included:</p> <p>(7) The Government improved budget transparency by: (i) applying the market exchange rate to foreign currency revenues and expenditures in the Union Budget resulting in more accurate budget estimates; (ii) the Union Budget was submitted and approved by the Parliament for the first time; and (iii) the Government resumed publishing the Union budget law in the media.</p> <p>(8) The Government improved the Union budget structure by preparing</p>	<p>(4) The Government undertakes a comprehensive review of the PFM system and develops and begins implementing an action plan for reform.</p> <p>(5) Government strengthens institutional arrangements for public debt management including: (i) organize the back office function at MOF with both external and internal debt records maintained in this office; (ii) action plan for setting up middle and front office functions; and (iii) starts staff capacity development in their respective functions with TA from development partners.</p> <p>(6) In the medium term, the Government (through MOF) includes a complete financing plan for Union</p>	<p>(6) Government continues to implement its action plan for strengthening PFM</p> <p>(7) Government continues to strengthen institutional arrangements for public debt management at MOF and staff capacity development with TA from development partners.</p>	<p>P(7). Achieved. Modern budget implemented with appropriate exchange rates and disclosed publicly.</p> <p>P3F (4). In process. Government has established separate budget and debt management offices within MOF.</p> <p>P3F (5). Partially implemented; target completion in 2015. Debt management office has been established and MOF is operationalizing it as agreed under the P3F with supporting TA from ADB. A process for capturing and quantifying long-term liabilities arising from government contracts, e.g., from public–private partnership concessions, is being developed, also under</p>

Policy Actions	Policy Based Loan Summary of Accomplishments from Aug 2011–Oct 2012 Prior expected actions (or triggers) in bold	Post-Program Partnership Framework, Nov. 2012–Dec. 2014	Medium-Term Direction, Aug. 2011–Dec. 2015	Performance as of Dec. 2014
	separate Union and State/Regional Budgets for the first time.	budget in its submission to Parliament.		<p>TA support from ADB.</p> <p>P3F (6). Transparency in MOF budget formulation and submission process is progressing. Debt management aspects of the budget are continuing to evolve as the debt management office enhances its functions.</p> <p>MOF is taking a more active role in monitoring government budget and debt use. However, this is a nontraditional role for MOF, which will require additional time and investment to refine and improve overall planning, oversight, and management.</p>
2. Investment, trade, and financial integration improved				
2.1 Creating an enabling environment for private sector and SME development	<p>The Government has implemented key steps to improve the business climate with the aim of encouraging employment creation in the economy and especially in SMEs. These included:</p> <p>(9) The government re-submitted the draft foreign investment law to</p>	<p>(7) SME Center develops and has endorsed SME road map. Key features of the road map include specified interventions to assist SMEs to access business development services, access to technology, and credit. SME Center starts drafting an SME Law.</p>	<p>(8) DICA completes national rollout of new companies registration system. Registration data disaggregated by size, gender, and sector.</p>	<p>P(9). Achieved. Foreign investment law, 2012, passed.</p> <p>P(10). Achieved. SME center created in MOI supported by policy.</p> <p>P3F (7). Mostly achieved. SME Center has been established—provides</p>

Policy Actions	Policy Based Loan Summary of Accomplishments from Aug 2011–Oct 2012 Prior expected actions (or triggers) in bold	Post-Program Partnership Framework, Nov. 2012–Dec. 2014	Medium-Term Direction, Aug. 2011–Dec. 2015	Performance as of Dec. 2014
	<p>Parliament for improvement.</p> <p>(10) Government (through MOI) established an institutional and policy framework for SME development, through key measures including: (i) established an SME Center at MOI to coordinate and develop policy and strategies; (ii) drafted an SME Policy; and (iii) carried out capacity development activities with SMEs.</p> <p>(11) Government has undertaken measures to reduce the regulatory cost of starting and operating a business. These included: (i) DICA established a companies registration office in Yangon (in addition to Nay Pyi Taw); (ii) extended the registration renewal period from 2 years to 3 years; and (iii) initiated the development of an action plan to upgrade the companies registration.</p>	<p>(8) DICA upgrades companies registration system, which: (i) simplify companies registration procedures; (ii) establishes the national database at DICA; (iii) establishes registry office in Mandalay and one other urban center; (iv) provides plan for capacity building at registry offices in provinces; and (v) sets up the network connection for central database and local registry offices.</p>		<p>services such as incubation, business matching, and training. Work on SME law is progressing. Access to finance remains in developmental stage.</p> <p>P(11). Achieved. Reforms established to cut time and approvals for company registration and compliance.</p> <p>P3F (8). Mostly achieved. Company registration process has been simplified and time to registration has been shortened. Additional registration offices opened in 2015, with training and capacity development under way. Revised Companies Law is now finalized and being submitted to Parliament. This will permit DICA to complete the initial company registration overhaul process agreed in the P3F and separate the registrar function from the regulatory oversight function.</p>
2.2 Increasing trade integration	The Government has initiated a series of reforms to liberalize trade and lift remaining exchange	(9) Government (through MOC, MOF, and CBM) announces a road map to lift all remaining exchange	(9) MOC and relevant agencies start implementing trade strategy.	<p>P3F (9). Completed.</p> <p>P(12) and P3F(10). Completed.</p>

Policy Actions	Policy Based Loan Summary of Accomplishments from Aug 2011–Oct 2012 Prior expected actions (or triggers) in bold	Post-Program Partnership Framework, Nov. 2012–Dec. 2014	Medium-Term Direction, Aug. 2011–Dec. 2015	Performance as of Dec. 2014
	<p>restrictions on current account payments and transfers with the aim of raising productivity and boosting exports of agricultural and manufactured goods. These measures include the following:</p> <p>(12) Government (through MOC) requested WTO for a trade policy review (TPR) and initiated preparations for the review.</p> <p>(13) The Government (through MOC) has piloted automatic import and export licensing for a selection of commodities.</p> <p>(14) Government has relaxed barriers to trade in importation of several major agricultural commodities and other products. Examples include prepared canned foods, confectionary, fruits, and vehicles among others.</p> <p>(15) Government enacted a new Export and Import Law, which provides MOC with mandate to formulate trade</p>	<p>restrictions and accept its Article VIII obligations.</p> <p>(10) WTO trade policy review completed</p> <p>(11) Government (through MOC) develops and endorses a five-year trade sector strategy covering trade policy development, SPS management systems, trade data portal, national single window, among others.</p> <p>(12) Government (through MOC) completes issuances of rules and regulations under the new Law on Export and Imports consistent with WTO rules, including automatic and non-automatic licensing system.</p> <p>(13) Government (through MOC) develops and starts implementing self-certification system for ASEAN rules of origin.</p> <p>(14) The Government starts drafting legislation related to trade remedies, safeguards, competition, and consumer</p>		<p>P(13) Achieved. Switched to negative list and made automatic all other products.</p> <p>P(14). Achieved.</p> <p>P(15). Passed and implemented</p> <p>P3F (11). In progress. Trade strategy under development. SPS management being enhanced through support from ADB under ongoing TA.</p> <p>P3F (12). Completed</p> <p>P3F (13). Partially implemented. Government has announced its intention to participate in the first ASEAN self-certification pilot project that runs through December 2015.</p> <p>P3F (14). Laws for consumer protection and intellectual property protection have been drafted and are awaiting passage. Safeguard rules are in consultation stage.</p>

Policy Actions	Policy Based Loan Summary of Accomplishments from Aug 2011–Oct 2012 Prior expected actions (or triggers) in bold	Post-Program Partnership Framework, Nov. 2012–Dec. 2014	Medium-Term Direction, Aug. 2011–Dec. 2015	Performance as of Dec. 2014
	policy and regulations.	protection.		
3. Rural development for inclusive growth stimulated				
3.1. Improved incentives for rural productivity and financial inclusion	<p>The Government has initiated steps to improve market-based incentives for boosting agriculture productivity with the aim of raising farm incomes. These measures include:</p> <p>(16) Government (through MOF) abolished commercial tax on exports of several key agricultural commodities thereby benefiting farm households.</p> <p>(17) The Microfinance Business Law was enacted. The new law provides for microfinance institutions entry into the market and establishes the Myanmar Microfinance Supervisory Enterprise (MMSE).</p> <p>(18) The CBM expanded the list of items to be pledged as loan collateral to including goods and crops.</p>	<p>(15) The Government (through MOAI) develops an agriculture sector development strategy covering investment plans, marketing system for food crops and agricultural inputs, identified priorities for food security.</p> <p>(16) MOAI prepares the institutional framework for land use planning, including: (i) an inventory of current land uses and land resource data; (ii) guidelines for developing agro-ecological zones; and (iii) land valuation rates consistent with market conditions.</p> <p>(17) MOAI prepares a reform plan for better coordination among agencies under MOAI to set up a national extension program.</p> <p>(18) Government (through CBM) drafts and endorses financial inclusion strategy.</p>	<p>(10) The Government (through MOAI) started implementing agriculture sector strategy.</p> <p>(11) Comprehensive land use planning and policy framework in place for agriculture and rural development</p> <p>(12) MOAI's research program started</p> <p>(13) Number of MFIs increased over base year (2009 = 9)</p>	<p>P(16). Achieved.</p> <p>P(17). Enacted and MMSE established under MOF.</p> <p>P3F (15). Completed. Government produced the National Strategy on Poverty Alleviation and Rural Development and the Rural Development Strategic Framework, both in 2014.</p> <p>P3F (16). In progress. Draft national land use policy has been released for public consultation and comment; its purpose is for expansion into the national land use law, a draft of which is due by the end of 2015.</p> <p>P3F (17). Not achieved. Coordination and implementation framework yet to be completed. Ad hoc progress on extension services for certain crops and certain districts. Lack of human, physical, and financial resources constrains service</p>

Policy Actions	Policy Based Loan Summary of Accomplishments from Aug 2011–Oct 2012 Prior expected actions (or triggers) in bold	Post-Program Partnership Framework, Nov. 2012–Dec. 2014	Medium-Term Direction, Aug. 2011–Dec. 2015	Performance as of Dec. 2014
				<p>development.</p> <p>P(18). Achieved. Agricultural products, treasury bonds, gold and savings deposits added to land as valid forms of collateral.</p> <p>P3F (18). Partially achieved. While progress on a general inclusion strategy has been achieved nationally, a plan or strategy for rural finance is not yet in place.</p> <p>MTD (13). Achieved. MFIs totaled 215 in 2013.</p>
4. Human capital development for inclusive growth promoted				
4.1. Education sector policy development	<p>The Government began a process for assessing challenges and developing strengthened policies for education, to advance human capital development as a keystone for inclusive growth. These measures include:</p> <p>(19) The Government (through the Ministry of Education) has initiated the Comprehensive Education Sector Review (CESR). The CESR is as a</p>	<p>(19) Within the CESR, MOE and relevant agencies complete review of policy options and priority investments for secondary education, TVET, and higher education, with an emphasis on enhanced labor market linkages and integrates gender analysis.</p>	<p>(14) Policy frameworks for TVET and higher education adopted with gender issues embedded</p> <p>(15) Secondary education curriculum reform plan adopted</p>	<p>P(19). Completed.</p> <p>P(20). Implemented. Free secondary education—in addition to texts—being implemented in FY2016.</p> <p>P3F (19). CESR Phase 1 (rapid assessment) and Phase 2 (in-depth analysis) completed, identifying policy options and providing evidence to support planning. First portion of CESR Phase 3 (NESP formulation) identified quick-</p>

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	<p>government-led review involving harmonized cooperation with major development partners. Key features of the CESR are: (i) in-depth coverage of all education subsectors; (ii) identification of gaps and policy priorities for access, quality and relevance, and sector management; and (iii) mainstreaming of analysis across gender, socioeconomic, and geographic dimensions.</p> <p>(20) The Government (through MOE) enacted a policy for universal provision of free textbooks to students in government-recognized primary schools, with central expenditure on this program reaching Kyat8.0 billion in FY2013.</p>			<p>win projects for FY2015 and were reflected in MOE's budget submission. Phase 3 was extended and is now formulating the full five-year NESP, FY2016–FY2020, with approval expected in July 2015.</p> <p>MTD (14). Draft TVET law and draft higher education law reflect key policy directions. Drafting has been held up by delays in passing the overarching National Education Law, but completion is expected by the end of 2015. The draft NESP for FY2016–FY2020 also embeds key policy and planning directions.</p> <p>MTD (15). Basic education curriculum framework (covering kindergarten through upper secondary education) awaiting minister's approval (expected by the end of Q2 2015).</p>
4.2 Enhanced planning and funding for the education sector	The Government has taken steps to expand and more effectively utilize public and private resource mobilization for education, including:	(20) Based on completion of the CESR, the government approves a Costed Education Sector Plan (CESP), which provides a unified framework for sector	(16) Budget allocations to MOE more than doubled in FY2014 Union budget over the base year (FY2012 = MK310 billion)	<p>P(21). Achieved.</p> <p>P3F (20). The CESP has been renamed the NESP. The MOE has approved the 1-year FY2015 interim NESP</p>

Policy Actions	Policy Based Loan Summary of Accomplishments from Aug 2011–Oct 2012 Prior expected actions (or triggers) in bold	Post-Program Partnership Framework, Nov. 2012–Dec. 2014	Medium-Term Direction, Aug. 2011–Dec. 2015	Performance as of Dec. 2014
	<p>(21) The Government more than doubled the education budget in the FY2013 Union Budget from Kyat310 billion in the FY2012 to Kyat752 billion in FY2013.</p> <p>(22) To encourage greater private sector participation in the education sector, Parliament approved the Private School Registration Law, as a basis for establishment and recognition of private schools at the primary and secondary level.</p>	<p>investments.</p> <p>(21) CESR identifies concrete options for policy and medium-term reforms to expand and enhance private sector involvement in TVET, and higher education.</p>	<p>(17) At least three private institutions registered to provide education services in each TVET and higher education subsectors.</p>	<p>of quick wins, and the CESR is supporting formulation of the five-year NESP (see P3F (19) performance above).</p> <p>P3F (21). The CESR Phase 1–2 reports identify areas for expanded private sector engagement, particularly in TVET and higher education. Based on the existing draft, the NESP TVET chapter is expected to include a program to support the introduction of public–private partnerships in TVET.</p> <p>P(22), MTD (17): Not yet implemented. Government intends to allow and encourage private services for TVET and is covered in the draft TVET law. TVET law is on hold while the overarching National Education Law is being redrafted. Adoption expected by the end of 2015.</p>

ADB = Asian Development Bank, ASEAN = Association of Southeast Asian Nations, CBM = Central Bank of Myanmar, CESP = Costed Education Sector Plan, CESR = Comprehensive Education Sector Review, DICA = Directorate of Investment and Companies Administration, FEC = foreign exchange certificate, GDP = gross domestic product, IMF = International Monetary Fund, MFI = microfinance institution, MOAI = Ministry of Agriculture and Irrigation, MOC = Ministry of Commerce, MOE = Ministry of Education, MOF = Ministry of Finance (formerly Ministry of Finance and Revenue), MTD = medium-term direction, NESP = National Education Sector Plan, P(n) = policy action, P3F = post-program partnership framework, PFM = public financial management, Q = quarter, SMEs = small and medium-sized enterprises, SPS = sanitary and phytosanitary, TA = technical assistance, TVET = technical and vocational education and training, WTO = World Trade Organization.

Source: Asian Development Bank.