



*Towards more
child-focused social investments*

Snapshot of Social Sector Public Budget Allocations and Spending in Myanmar

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Acronyms

CBM	Central Bank of Myanmar
DBE	Department of Basic Education
DMC	Decision Making Committee
FC	Financial Commission
FY	Financial Year
IHLCS	Integrated Household Living Conditions Survey
MDG	Millennium Development Goal
MoE	Ministry of Education
MoFR	Ministry Of Finance and Revenue
MoH	Ministry of Health
MoNPED	Ministry of National Planning and Economic Development
MoSWR&R	Ministry of Social Welfare, Relief and Resettlement
MD	Ministry/Department
MEB	Myanmar Economic Bank
MICS	Multiple Indicator Cluster Survey
MMK	Myanmar Kyat
PM	Prime Minister
SAO	State Administrative Organ
SEE	State Economic Enterprise
SFA	State Fund Account
SPDC	State Peace and Development Council
SPME	Social Policy Monitoring & Evaluation
UNCDF	United Nations Capital Development Fund
UNICEF	United Nations Children's Fund
UNDP	United Nations Development Programme
VTA	Village Tract Administrator

Foreword

States Parties shall undertake all appropriate legislative, administrative, and other measures for the implementation of the rights recognized in the present Convention. With regard to economic, social and cultural rights, States Parties shall undertake such measures to the maximum extent of their available resources and, where needed, within the framework of international cooperation.

Convention on the Rights of the Child, Article 4

Child wellbeing and budget allocations are strictly related. Budget allocations reflect countries' commitments to the UN Convention on the Rights of the Child and the gradual realization of their children's rights.

Policy debates about the prospect of implementing social policies in developing countries tend to emphasize constraints related to cost and affordability. It is often argued that poor countries cannot afford universal public services such as health and education, or social welfare, due to lack of fiscal resources and contributory capacity of the poor.

At the same time, there is growing recognition that social expenditures for children are actually investments. By supporting wide and equal access to social services they give every child a chance to develop to their full potential, and later on contribute to the development of the nation. Social investment is good for children's rights, is good for economic growth and is good for national cohesion.

Myanmar is going through an unprecedented and historical transition, and the Government has clearly stated that people should be placed at the centre of its ambitious reform agenda. Never in its history has the country had such an opportunity to set the solid foundations of a society where children's rights are promoted and protected, and where attention to all the groups of the population, including the most vulnerable and marginalized, can contribute to its overall development.

With this report – the first of its kind, which has been realized thanks to the decision of the Government of Myanmar to make budget figures publicly available for the first time in 2012 – UNICEF intends to provide a first contribution to the dialogue it intends to promote on social budgeting, and a greater focus on children.

The analysis provides a snapshot of actual budgetary structures, planning mechanisms, and allocation and spending in the three most relevant sectors for social development: health, education and social welfare.

Further, more detailed, analysis will be needed to shed full light on the budget cycle in the country, and to contribute to the set-up of a transparent, efficient, result-oriented budgeting mechanism. Support is already provided to the Ministry of Education for the completion of a Comprehensive Education Sector Review, which sees the full engagement of UNICEF and international development partners within and beyond the Multi-Donor Trust Fund¹. At the request of the Ministry of Finance and Revenue, the World Bank is conducting a Public Expenditure Review which will look deeper into public spending of a number of sectors, including the health and education sectors. This analysis will provide further information to guide reforms.

¹ In particular, a team led by the World Bank and AusAid has prepared a "Rapid Assessment of the Financing of the Education Sector in Myanmar", currently shared with the Government. The report will contribute to the Public Expenditure Review in the education sector

While there are many ways resources can be put to better use, made more efficient to produce and accelerate greater outcomes for children, the urgency today is to increase the level of investment in the social sectors. And there is no reason to further delay it- the international community is significantly increasing its support, including to key social sectors such as health and education; effort to increase fiscal space and transparency in resource allocation and use are encouraging; and consensus on the potential contribution of natural resources to national development is emerging. Recent measures such as the Government financing of textbooks and partial financing of children's life-saving vaccines are moving in the right direction.

In the coming months, through its active participation in Sector Working Groups resulting from the Nay Pyi Taw Accord, and through a renewed partnership with parliamentarians, media and civil society, UNICEF will continue to promote child-focused social budgeting, and understanding of key diagnostic tools and basic performance budgeting concepts for the benefit of children.

Children are the most precious resources of the country. They must be the first beneficiaries of the on-going reforms.

Bertrand Bainvel
Representative, UNICEF Myanmar

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Finally, the provisional findings of this report were presented in a series of workshops and UNICEF thanks the participants in those workshops for their helpful comments and insights.

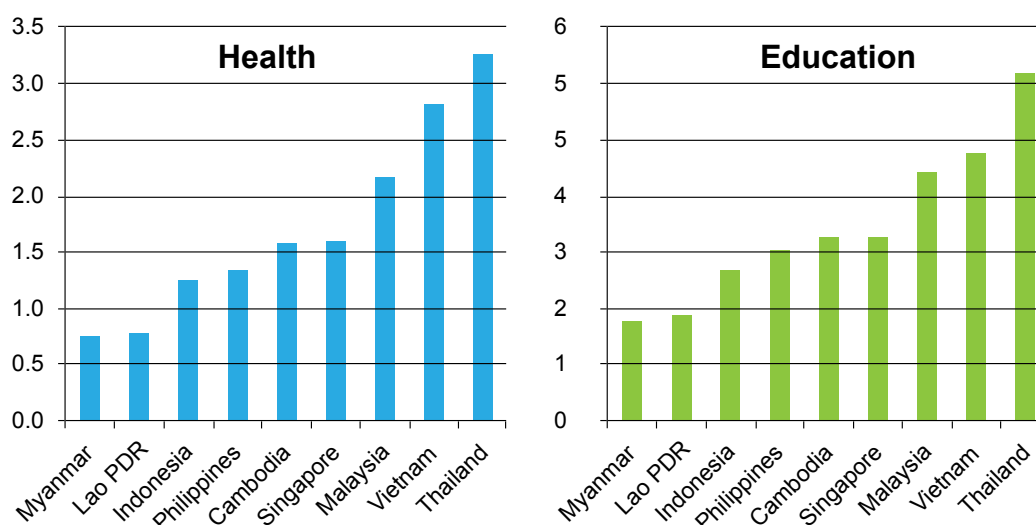
Executive Summary

A strong relation exists between social sector spending and the realization of children's rights. This report provides a first analysis of the national budget and public expenditures in the health, education and social welfare sectors, offering a useful perspective on the current state of social spending in the country as well as a better understanding of the budgeting system.

In the context of the ongoing social and economic reform process, and its focus on people-centered development, this analysis is timely. More detailed and frequent sectoral budget analyses will build on this report, especially if greater budget transparency is achieved in coming years. Specific areas in which more information would be particularly useful are identified in this report.

Government spending on the social sectors (health, education and social welfare) in Myanmar is strikingly low by international standards. For FY 2012-2013, as a percentage of total government spending, budgeted spending for health was 5.7%, for education was 11% and for social welfare was 0.29%². As a percentage of GDP, this amounts to 0.76% for health, 1.46% for education and less than 0.01% for social welfare. While dramatic increases in these budgets (especially in health and education) were noted for FY 2012-2013, given the significant foreign exchange component, much of it can be explained by the recent exchange rate unification. Coupled with the long overdue salary increases which were also noted in social sector budgets in FY 2012-2013, this indicates that improvements in terms of additional human and physical resources available to the social sectors for realizing children's rights were very limited, if at all present.

Government spending as % of GDP – ASEAN regional comparison³



Source: MoFR Myanmar (2012), ESCAP Statistical Yearbook 2011 and own estimations.

2 These figures (as well as all others cited for Myanmar in this report) are based solely on the allocations to the respective line ministries and their departments and divisions, i.e. Ministry of Health for health spending, Ministry of Education for education spending and Ministry of Social Welfare, Relief and Resettlement for social welfare spending. Therefore these do not fully reflect the total expenditure on these sectors as some of it is channelled through other ministries, e.g. Ministry of Science and Technology for education and Ministry of Defense for both health and education. However, most of the public spending on the sector is likely channelled through the main line ministry, so these figures do give a good sense of the financial resources committed to each sector, especially in terms of investments in children.

3 Note on charts: All Myanmar figures are for 2012-2013. Health spending figures are for 2009. Education spending figures are for 2008, except Cambodia's which is for 2007. Own estimation was necessary for calculating 'public health spending as % of GDP' – these were derived from the 'private health expenditure as a % of total health expenditure' and 'total health expenditure as a % of GDP' indicators for which data was available in Tables I.25 and I.26 of the ESCAP Statistical Yearbook.

Budget allocations have been analysed by economic classification (salaries, goods & services, maintenance etc.), expenditure type (current, capital and financial) and by department.

Analysis of sector budgets by economic classification revealed that budgets were dominated by salaries, especially in the health and education sectors. Analysis of recurrent sector budgets by department revealed that several existing departments in these ministries are responsible for less than 5% of the ministry budget, while several major programmatic areas are relegated to divisional status within a department. Finally, analysis of capital spending in sector budgets revealed the predominance of construction expenditure over machinery and equipment and others (95% of total capital expenditure in social welfare, 89% in education and 46% in health)⁴. Assessing the implications of capital spending for children and equity will require more detailed information, to be able to draw out, for example, the geographic and per capita distribution of infrastructure costs, in order to get an indication whether new infrastructure would benefit poor and vulnerable families.

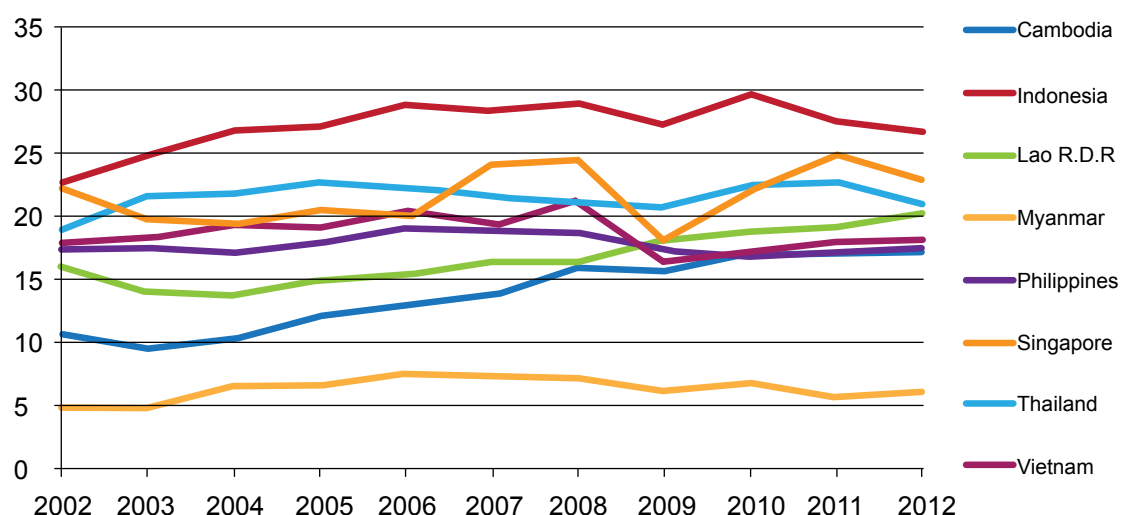
Budgetary data or historic expenditure data for the sub-national level, which could provide useful insights into equitability of public spending across the 14 regions/states, was not available for analysis. All three social sector ministries remain centralized and do not allocate funds to states or regions *ex ante*. While some ministries do use a formula to allocate funds on some budget lines (e.g. Ministry of Education uses a formula which includes numbers of classrooms and students to allocate certain funds), in general there are no regional resource allocation formulas in place which could contribute to socio-economic equalization between the various regions and states.

In FY 2012-2013, all regions and states received a grant of MMK1 billion and Chin State (the poorest of all states/regions in Myanmar) received an additional grant of MMK 2 billion. As a first attempt to develop a regional grant system, this is a very positive development. However, greater efforts are needed, including an increase in the amount of financial resources made available to the regions and states, corresponding with their new responsibilities under the decentralization process as well as with individual state/region characteristics such as population, remoteness, social disparities and poverty rates.

The fiscal position of Myanmar for the Financial Year (FY) 2012-2013 was a deficit of Myanmar Kyat (MMK) 2 trillion, which equates to 4% of GDP - considered acceptable by international standards. However, an adequate revenue base is required to sustain investments in the social sector in the long run. Government revenue in Myanmar, hovering between 6% and 7% of GDP over the past decade, has been low compared to other countries in the region (almost all of which have maintained revenues above 15% of GDP – see figure below), and comprises mainly revenues from natural gas and transfers from State Economic Enterprises.

4 Construction spending in the health sector for FY 2011-2012, at 93%, was comparable to the high proportion still prevailing in the education and social welfare sectors.

Government revenues as % of GDP – ASEAN regional comparison



Source: IMF World Economic Outlook, October 2012.

Income from natural resources is projected to grow, and there is an opportunity for Myanmar Government to channel it into social development, ensuring equal distribution among the population and boosting economic development with the wellbeing of citizens. On the other hand, in the long term, it would be advisable also to generate more income from taxation as the latter tends to be a much more reliable and predictable source of revenue. Taxation is extremely low in Myanmar. Increased taxation would not only enable greater social spending, but could also contribute to improving governance and accountability in the country. Progressive tax structures and progressive tax outcomes should be the utmost priority in any tax reforms, to ensure that poor families and children actually benefit from it.

The analysis in this report leads to the following conclusions:

- Fiscal space for social spending in Myanmar is in urgent need for expansion. Expected increases in natural resource revenues and the tremendous scope for increased taxation present great opportunities for expansion of social investments.
- Departments of Health, Basic Education and Social Welfare need to develop the strongest possible arguments for increased budgets. This may be done by reference to international norms, as well as by putting forward evidence-based plans for improving child and family wellbeing, with sound costing and measurable outputs where possible.
- Increased spending in the social sector is vital, but will not automatically result in improved outcomes in the social sector. Attention is also needed to the efficiency of budget implementation, including the relative emphasis placed on various components, development of resource allocation formulas, use of diagnostic tools such as the Public Expenditure Tracking Survey and review of organizational and budget structures.
- Effective monitoring of budgets begins with policy and requires a clear and traceable continuum from policy frameworks to medium-term and annual plans with expected outcomes, to budgets and finally to outputs and actual outcomes. The connections between these elements of the budget cycle are not currently in place in Myanmar, and would need to be established.
- More data, and easier access to it, is required to enable regular monitoring of the direct link between budget allocations and the wellbeing of families and children in Myanmar and the realization of their rights. A fully transparent budget and budget process has several advantages, including building trust between government and citizens, strengthening democracy, helping the fight against corruption and ensuring that information is not reported incorrectly or out of context.

Glossary of Terms

Item	Definition
Allocative Efficiency	In a budgetary sense, allocative efficiency is the condition whereby limited financial resources available to government are allocated most efficiently to maximize the public benefit.
Capital spending (or expenditure)	Capital spending refers to expenses incurred in acquiring or adding value to fixed assets, e.g. construction, machinery and equipment, etc.
Current spending (or expenditure)	Current (or recurrent) spending refers to expenses incurred in the process of providing public services, e.g. salaries and wages, expenses on goods and services, etc.
Economic classification	Economic classification identifies the type of expenditure incurred, for example, salaries, goods and services, transfers and interest payments, or capital spending.
Fiscal Decentralization	The transfer of funds and/or revenue raising powers from higher levels to lower levels of government within political systems, including both administrative structures and elected bodies.
Fiscal space	The room in a government's budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of its economy.
Medium Term Budget Framework (MTBF)	Incorporates medium term budget estimates for individual spending agencies. The objective of an MTBF is to allocate resources to the nation's strategic priorities and ensure that these allocations are consistent with overall fiscal objectives. This gives some degree of budget predictability to spending agencies, while ensuring overall fiscal discipline. An MTBF is the most basic type of MTEF.
Medium Term Expenditure Framework (MTEF)	Forward medium-term (typically 3-5 years) estimates of the costs (integrating recurrent and capital spending) of existing policies and proposed policy changes subjected to explicit aggregate fiscal ceilings.
Progressive taxation	Progressive taxation shifts the incidence or burden of tax away from people with a low ability-to-pay to those with a higher ability-to-pay.
Public Expenditure and Financial Accountability (PEFA)	A methodology for the assessment of public expenditure and financial accountability systems over time. The Performance Measurement Framework identifies the critical dimensions of performance of an open and orderly PFM system for all countries based on a set of high-level indicators which measure the operational performance of key aspects of PFM systems, processes and institutions. It uses an indicator set to develop an integrated assessment of the PFM system against the critical dimensions of performance and evaluates the likely impact of PFM weaknesses on the three levels of budgetary outcomes: aggregate fiscal discipline, strategic allocation of resources, and efficiency of service delivery.
Public Expenditure Review (PER)	A review of policy and public expenditures, either by sector or in multiple sectors. A PER may also look at expenditure management systems, but this part is expected to be reflected by PEFA. PERs are typically carried out by or with the participation of the World Bank.

Public Expenditure Tracking Survey (PETS)	PETS are a quantitative survey of the supply side of public services. The unit of observation is typically a service facility and/or a local government. The survey collects information on facility characteristics, financial flows, outputs (services delivered), accountability arrangements, etc. If carefully and competently collected, PETS data can have multiple uses. They can serve as a powerful and simple diagnostic tool in the absence of reliable administrative or financial data. They trace the flow of resources from origin to destination and determine the location and scale of anomaly. They are distinct but complementary to qualitative surveys on the perception of users to service delivery. They highlight not only the use and abuse of public money, but also give insights into cost efficiency, decentralization and accountability.
Public Financial Management (PFM)	The management of the revenues, expenditures, assets and liabilities of the state.
Quantitative Service Delivery Survey (QSDS)	Similar to the PETS, Quantitative Service Delivery Surveys are micro-economic level surveys aimed at assessing service delivery. These tools can be used to assess public spending efficiency, as well as the quality and quantity of services at not only the household or business level, but also at the service provider level. Moreover, these tools can be used to evaluate the impact of policy changes.
State-owned Economic Enterprise (SEE)	A business owned and controlled by the government. In low income countries, these are often legal entities created by the state in areas of activity expected to be profitable, such as the sale of utilities. In the case of Myanmar, it has included teak, petroleum, natural gas, jade, precious stones, fisheries, air and rail transport, telecommunication, etc.

1 Introduction

Analysis of government spending can inform policy dialogue and advocacy for a more equitable and efficient allocation of public resources. In Myanmar, social sector spending has historically been very low. An examination of social sector finances and budget processes has the potential to improve the performance of the social sector and its implications for the people.

In the context of the ongoing social and economic reform process in Myanmar, and its focus on people-centered development, such an exercise is especially timely. As a part of the reform process, there has also been a review of many policies including budgetary policy, and a number of budgetary changes have occurred which are referred to in this report.

The linkage between social sector spending and the realization of children's rights cannot be overemphasized. The Convention on the Rights of the Child (CRC) recognizes at various points (Article 24.4, 26.1 and 28.1) the obligation of states to progressively realize the rights children have to education, health and social protection. And Article 4 of the CRC explicitly states that:

“With regard to economic, social and cultural rights, States Parties shall undertake such measures to the maximum extent of their available resources and, where needed, within the framework of international co-operation.”

Recognizing the great linkage between social sector spending and realization of children's rights, UNICEF Myanmar has been working on public budget and expenditure analyses in the last three years. In order to create the base for fuller discussion among partners, it is essential to summarize and analyse the available information, however limited, and to identify gaps in that data.

The objective of this report is to analyse and comment on the budget and expenditure of the three key social sectors of Health, Education and Social Welfare, based on collected data for the five years up to and including the allocations for Financial Year (FY) 2012/13. It seeks to identify government structure, budget allocation system, as well as budget expenditure patterns and constraints, in order to make recommendations on how social sector budget and expenditure might be improved. The report also aims to lay a foundation for better and more regular monitoring of social sector budgets in Myanmar, with a view to supporting advocacy efforts and ensuring that available budgetary resources have the maximum impact on the wellbeing of children and the progressive realization of their rights. It is hoped that the report will provide a basis for the further discussion and dialogue between UNICEF and the government as well as with other development partners.

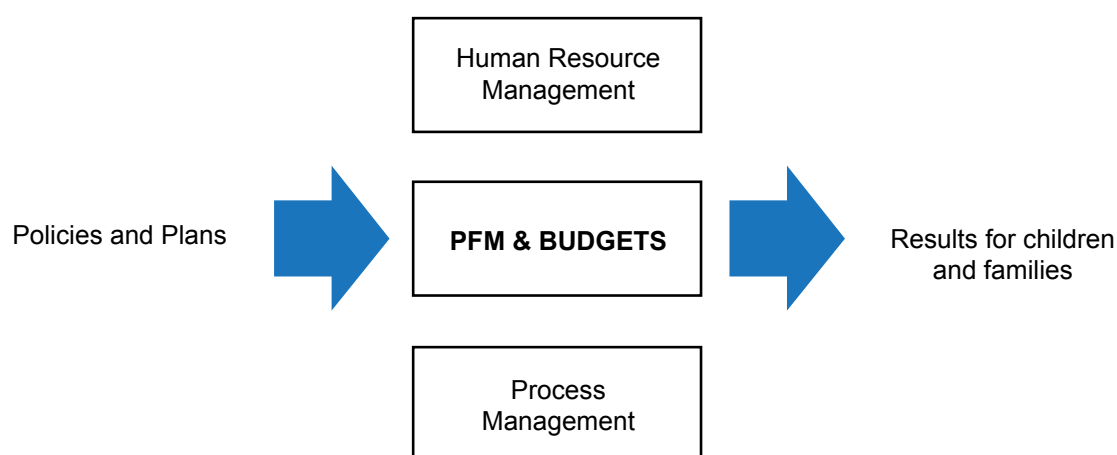
In order to achieve these objectives, the report will:

- as far as possible identify, summarize, analyse and comment on social sector budgetary data in the child-relevant sectors of Health, Education and Social Welfare in the years 2007-08 to 2012-13;
- set out present knowledge of public sector budget structures and processes in Myanmar with a view to carrying out applied budget work in the social sector and identifying how to effectively engage in budget dialogue;
- suggest future directions for effective and equity-focused budget and expenditure monitoring in the Myanmar social sector and improvements in the budget process to enable greater impact for the realization of children's rights;

- identify and explain data gaps and suggest how these may be remedied;
- suggest how accountability and transparency of financial information in the social sector can be improved; and
- identify areas for future research to inform advocacy on social sector budget and expenditure.

2 Methodology

This report explores how Myanmar is progressing toward the realization of the rights of its children “to the maximum extent of ... available resources” (as per Article 4 of the CRC). In doing so, it explores the impact of public sector budgets in recent years. To achieve this goal the report identifies a continuum which begins with the formation of policy and cycles through planning to budgets and outputs (as depicted in the diagram below). It takes as a premise that, in addition to sound policy, sound budgets and associated public financial management are critical to the realization of results for children.



The report examines social sector policies and their links to budgets, budget allocations and trends, and the effectiveness of budget implementation. This last part constitutes the heart of the report and is presented at Sections 5, 6 and 7. Information has been gathered through an initial examination of available literature, detailed in the bibliography: in particular: available cross-country comparative data; national sector reports and reviews; and official Myanmar budgetary information and statistics provided by government.

In order to gain further clarity on the process, UNICEF held meetings at central, divisional and township level in Yangon, Nay Pyi Taw, Mandalay and Mawlamyaing with many government offices including: Budget Office, Social Security Bureau, National Planning, Department of Social Welfare, Department of Education Planning, Department of Basic Education, Human Rights Commission, Department of Health and Department of Health Planning (persons consulted are listed in Annex 7). UNICEF also met with non-government actors including the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI).

Five workshops on social budgeting were also organized, one each with Parliamentarians, the Inter-Agency Working Group on Social Protection, the Human Rights Commission (HRC), the Union of Myanmar Federation Chamber of Commerce and Industry (UMFCCI) and finally with UNICEF technical staff.

An initial section is dedicated to the detailed description of the budgetary planning process in Myanmar, followed by the analysis of trends in government revenues. The budgetary analysis follows the standard topics of Public Expenditure Review (PER) methodology – in some cases only partially analysed:

- Total public expenditures in the sector (i.e. by economic classification) including sectoral %;
- Actual expenditure (or revised budget estimates, a suitable proxy for actual expenditure in the case of Myanmar) compared to the original budget allocation for each of the main classifications;
- Total public expenditures by subsector or main programmes;
- Recurrent expenditures by programme or function;
- Capital expenditures by programme or function; and
- Financing of public expenditure in the sector.

3 The planning and budgetary system in Myanmar

3.1 Planning system

Myanmar has 14 provinces of which seven are regions (sometimes referred to as “divisions”) and seven are states. From a planning and budgetary point of view, regions and states are treated equally. And these are further sub-divided into 64 districts and 324 townships.

Both planning and budgetary control have been highly centralized for many years. Until 2011 Myanmar experienced 50 years under a centralized political and economic system. The budget system was also centralized and during that period there were few changes.

Planning and the preparation of the capital budget (see Section 6.4 below) are still centralized under the Ministry of National Planning and Economic Development (MoNPED), whilst all other aspects of budgeting, including preparation of the current and financial budgets, compilation of the final budget documents, and management of the final approval process, are the responsibility of the Budget Division of the Ministry of Finance and Revenue (MoFR). Region/state budgets for some of the smaller ministries and departments come under the direct control of region/state governments.

The primary output and focus of MoNPED is the National Accounts, and in particular national output. As a result, it has historically focused on what are termed “productive” sectors, meaning sectors such as agriculture or mining which produce goods for consumption or export. These sectors are given targets to achieve and progress towards their targets is monitored by the Planning Department of MoNPED. The structure of the MoNPED reflects this focus on the productive sectors. Of 10 directorates within MoNPED, only one relates to the social sector (including health, education and social welfare). No targets are set for the social sector, nor is any monitoring of its performance carried out. In the past, no indicators have been used within MoNPED for monitoring the social sector except the Millennium Development Goals (MDGs). This is problematic on at least two levels: first, the MDGs aggregate indicators are not designed for monitoring operations against plans; second, there are no indicators to be monitored for social sector ministries other than Health and Education, such as the Ministry of Social Welfare Relief and Resettlement (MoSWR&R).

The planning system itself is based on 30 year plans which are divided into six 5 year plans. Annual plans are derived from these. These plans are necessarily developed without information on the availability of resources especially at the local level. This is especially so for the 5-year plans since there is no

medium term budgeting activity⁵. All plans are developed in conjunction with the relevant ministry, but are predominantly focused on capital developments and are not revised in the light of any budgetary cutbacks. It is evident that there is much space to improve the links between plans and budgets.

Under the new administration there are some indications of a partial decentralisation. In planning, a wish for a more bottom-up planning system has been expressed, and Township Planning and Implementation Committees (TPICs) have been formed and are active in developing plans. However, it remains to be seen how township proposals will be prioritised, and under which criteria funding will be made available. The inclusion of a project in a township plan is no guarantee of funding. In discussions at the township level it became clear that coordination is not yet optimal. In particular: through the General Administration Department (GAD) of the townships, MoNPED is collecting large amounts of data, but the data collection process does not appear to be carried out in conjunction with the sectors to which the data relates, nor is it shared with them. This is unfortunate because the sectoral ministries also collect extensive amounts of data (see for instance Ministry of Health, 2011(2)) and they also have dedicated planning departments and detailed sectoral plans, indicating a duplication of limited resources and a lack of optimization of either.

3.2 Budget structure and Chart of Accounts

The budgetary system recognizes three categories of budget recipients:

- State administrative organs (SAOs) and Ministries and departments (M&Ds)
- State economic enterprises (SEEs) and
- Cantonment municipalities

This report is primarily concerned with ministries and departments because these are the institutions which deliver social services. For each of these categories, three separate budget components are identified. These are:

- the current budget – which sets out planned recurrent receipts and expenditures
- the capital budget – which sets out planned capital receipts and expenditures, and
- the financial budget – which sets out all planned interest expenses, and other receipts and payments related to loan activity

In this report, only current and capital budgets are examined because, as visible in the consolidated budget for 2012-2013 in Annex 2, the financial budget is of lesser significance in the social sectors.

Ministries comprise of several departments. Each department has a number of divisions, and a division may have a number of sub-divisions. More information on the specialised terminology used in the budget to refer to these entities is available in Annex 1.

3.3 Budget development process

The budget development process entails a number of steps and the involvement of a number of actors. A short description of the process is provided here but more details are available in Annex 1, along with a description of the flow of funds and financial reporting arrangements in Annex 5.

Preparation of the current budget for a ministry begins at the sub-divisional level (e.g. National Malaria Control Programme in the Ministry of Health - MoH) and is then compiled at divisional level (e.g. Public Health Division in MoH) before being sent on to the departmental and ministry level. Once all the

5 The Budget Division of MoFR is however discussing the development of a Medium Term Expenditure Framework.

budgets reach the ministry level, the total ministerial budget is submitted to the MoFR, upon whose provisional approval it is submitted to a vetting committee headed by the Chair of the State Peace and Development Council. At every stage, discussions are held and necessary adjustments are made by the entity preparing/compiling the budget to remain within certain spending targets. Once approved by the vetting committee, the budget is approved by the Cabinet and Presidential Office before seeking final approval from the Parliament. Upon the Parliament's approval, the President signs the Budget Bill for a given financial year⁶.

Preparation of the capital budget entails a similar but more extensive process, in which the MoNPED plays a central role and many more players are involved. Unlike the current budget, the capital budget is relatively volatile, does not necessarily increase year by year due to the uneven profile of construction projects, and can include a higher foreign exchange element.

The preparation of the budget, particularly the current budget, appears to have weak linkages with the needs, plans and desired results of the social sector. Targets with which budget submissions have to comply are generally developed as a percentage increase over the previous year rather than on the basis of a situation analysis or with a results orientation.

The process as laid out above and in Annex 1 is methodical but details are incomplete. In particular, the criteria by which new projects are selected are not made public, including the way in which social or other disparities are reflected in these criteria. This information will be critical to a complete assessment which is focused on realization of the rights of children. Expected outcomes and costs and benefits are considered in the assessment of the budget (at least the capital budget) by the vetting committee, but the extent to which these considerations adequately take into account the needs of children and of poor families is not evident.

3.4 Recent budgetary developments

In recent months there have been significant budgetary developments in Myanmar which include a dramatic unification of the official exchange rate with the market rate and changes in the ways in which State Economic Enterprises (SEEs) are financed and how they contribute to the budget. Fiscal decentralization has also begun albeit on a limited basis.

Exchange rate unification started in early 2012. The 2012-2013 Budget was formulated with an exchange rate of 1 USD equal to 800 MMK, narrowing the gap between the official and market exchange rate. Previously the official rate had been 1 USD = 6 MMK. This dramatic development eliminated many of the distortions in the budgets of earlier years and presented a relatively improved fiscal position because a significant proportion of public revenues are foreign exchange denominated, especially the increasing earnings from natural gas. However, it has made it difficult to assess the real magnitude of large nominal changes in budgets for health and education, both of which include significant foreign exchange elements.

Some financing of SEE current expenditure no longer comes from the State Fund Account (SFA) starting from this financial year (2012-13). SEEs are required to find their own funding to finance 78%

6 Additional budget allocation can be requested during the financial year by submitting a proposal to the MoFR Budget Department through the respective ministry. This can sometimes be met by re-appropriation – transferring funds from a fund surplus agency. Where additional allocation or Supplementary Budget is needed, the Cabinet must approve. Most requests for re-appropriation are incorporated into the Supplementary Budget.

of raw material, fuel and other direct costs of production, and they must borrow this money from banks. However, the balance of current, capital and financial expenditure continues to be financed by the SFA. This is expected to increase overall fiscal space, as well as fiscal space of the social sector.

In spite of the above changes, the fiscal deficit for FY 2012-13 remains at MMK 2 trillion - more than 4% of GDP. This is not thought to be too high by international standards.

Another major development has been fiscal decentralization. In the Financial Year 2011-2012, a federal budget system was introduced with the intention of transforming the old State Fund Account system into a new system of (1) Union Fund for the Central Government and (2) Regional Funds for the States and Regions⁷.

The federal budget system is now operational but is still very limited in terms of decentralizing resources as indicated in Figure 1 below. The table shows that region/state governments were allocated only 4.5% of total receipts and only 6.7% of total spending. None of this was for social sector expenditures and the proportion is extremely limited in the context of decentralization. Further examination of spending shows that region/state governments were responsible for 8.2% of current expense allocation and for 4.4% of the capital expense allocation.

Figure 1: Split of budget between central and regional level in Myanmar, 2012-13⁸

Item		Union	Region/State		Total
		Kyat billion	Kyat billion	% of total	Kyat billion
Receipts		10,052	477	4.5	10,529
	Current	9,260	457	4.7	9,717
	Capital	35	20	36.4	55
	Financial	757			757
Expenditures		11,651	832	6.7	12,483
	Current	7,197	643	8.2	7,840
	Capital	4,050	188	4.4	4,238
	Financial	404	1	0.2	405
Deficit		(1,599)	(355)	18.2	(1,954)

Source: MoFR, Budget Department

Only thirteen ministries along with twenty eight agencies under their supervision are managed through state/regional governments, and this is mostly in larger ones like Yangon or Mandalay. Other states and regions such as Chin, Kachin and Kayah have fewer regional ministries and agencies. Moreover, the thirteen ministries which have been decentralized are those with fewer agencies and functions. The budgetary process for the States and Regions mirrors the Union process described in Section 3.3.

⁷ Unfortunately, for the first six months of FY 2011-2012, the procedure for utilization of the regional funds was not in place so the union fund was used for the regional government as well as central (Union) budget. In the second six months, regional funds were set up and regional governments were able to access them.

⁸ The table includes receipts and expenditures of the State Economic Enterprises in addition to those of Ministries and Departments. The analysis that follows focuses only on the budget of Ministries and Departments

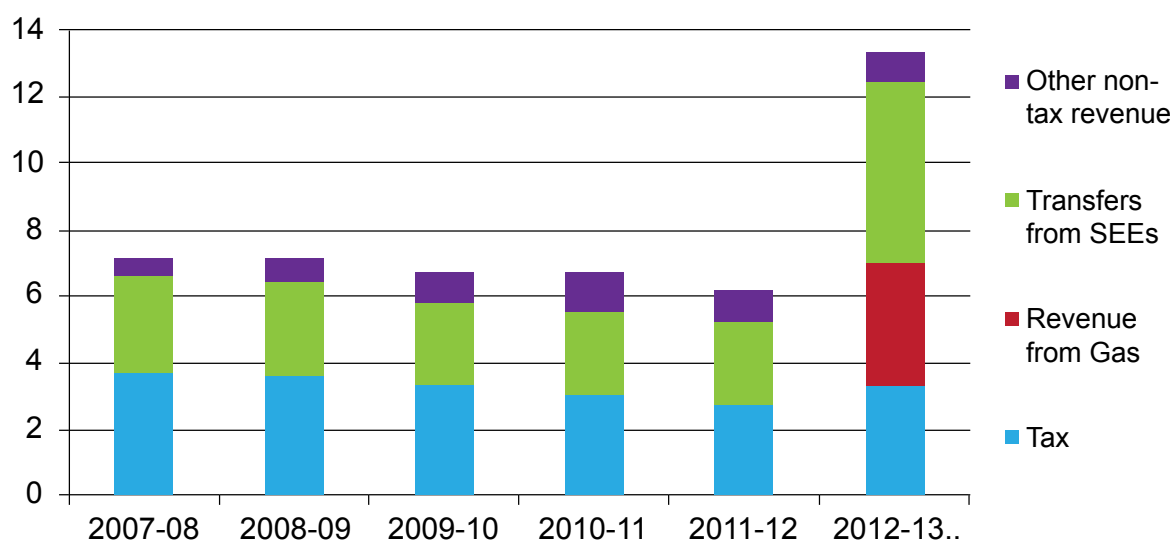
It is unlikely that the new federal budget system has yet had much impact on the wellbeing of families and children. There are two reasons for this: first, because the proportions of the budget devolved to the regions is so small; and secondly, because there has been no structural change to resource allocation to enhance equity. Most regional allocations have only changed incrementally in relation to previous years and this is not enough to bring about a socially efficient allocation of funds.

4 Trends in government revenue

An adequate revenue base is required to invest in the social sector, address socio-economic disparities and realize the rights of all children. This section of the report examines revenue trends in Myanmar as well as their adequacy by comparison with other countries in the region.

The budget of Myanmar is financed by funds from four primary sources: taxation; revenues from natural gas; transfer of surpluses from State Economic Enterprises (SEEs); and other non-tax revenue (various government fees and charges). In recent years revenue has been made up as shown in Figure 2.

Figure 2: Government revenues as % of GDP in Myanmar: 2007-08 to 2012-13, MMK billion



Source: IMF 2011 Article IV Consultation (2012).

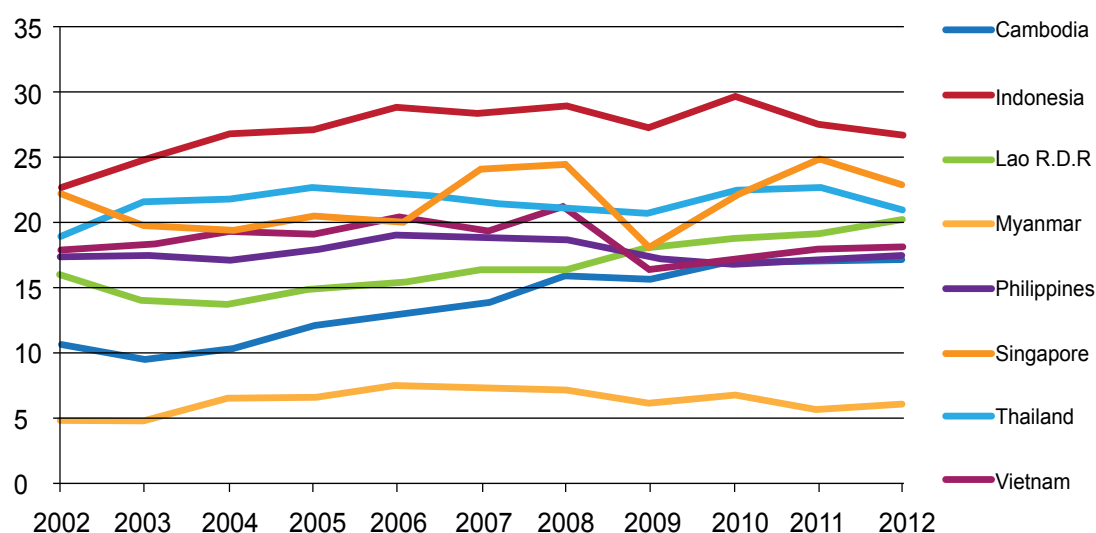
The figure shows that revenues have varied from 6% to 7% of GDP from 2007-08 to 2011-12, with taxation revenues providing between 2% and 4% of GDP, but only 2.7% in 2011-12 and only 3.3% projected for 2012-13. Revenue levels are still low by regional standards, but are projected to rise to 20% of GDP by 2017 (IMF, 2012) as a result of improvements in taxation, including projected improvements in tax administration, greater transfers from SEEs⁹, and rising gas revenues.

Poor revenue collection means inadequate budgetary resources for public sector activities. Inevitably, social sector expenditures along with other sectors have suffered from this low level of budgetary resources, and it is incumbent upon those who would make the case for greater social sector expenditures to take a close interest in the overall level of revenues as a starting point.

9 This arises because of the dramatic revision of the exchange rate to reflect the market position. SEEs have more export revenues than foreign denominated costs and so translation of their transactions at the revised exchange rate leads to increased surpluses.

As a percentage of GDP, the revenues of the Myanmar government have been very low compared to other countries in the region. Figure 3 below shows that while government revenues in Myanmar have been hovering between 6% and 7% of GDP over the past decade, revenues of the closest regional neighbours never fell below 15% of GDP. Vietnam's revenues, for example, were consistently in excess of 25% of GDP. Myanmar's revenues are projected to change as indicated above, but progress will require close monitoring.

Figure 3: Government revenues as % of GDP in Myanmar – ASEAN regional comparison



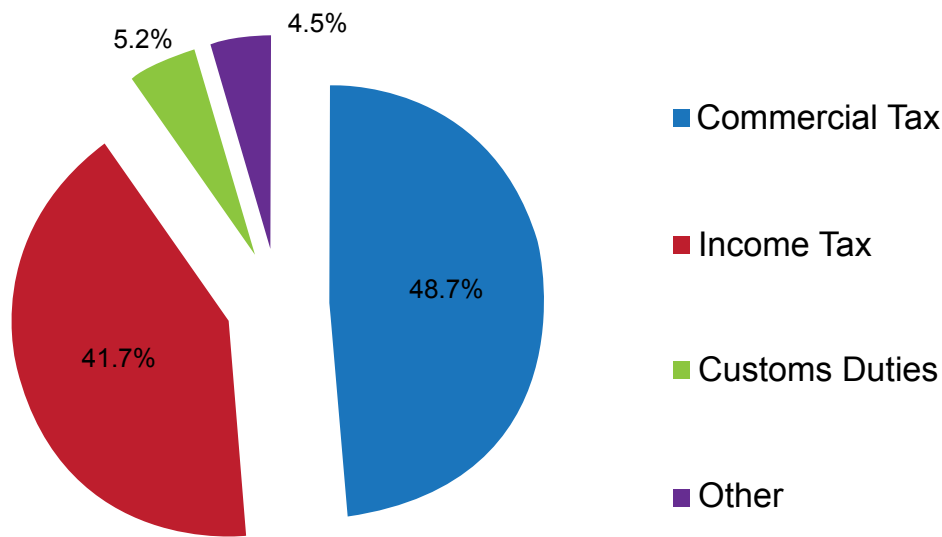
Source: IMF World Economic Outlook, October 2012.

Taxation is a key element of revenue, and the IMF estimates presented above project only limited improvement in 2012-13.

Although increases in natural gas revenues are projected to be significant (and action is needed to channel these towards social development), there are reasons why increased taxation should also be a key focus to improve overall social spending, governance and accountability. First, it is generally understood that there is scope for tax increases in Myanmar since the taxation base is currently quite narrow, that is to say taxpayers are relatively few. Second, ensuring a good balance between income from natural resources and income from taxation is advisable for several reasons. Depending on how royalties from natural resources are collected (price-based or unit-based), taxation might be a more reliable and predictable source of revenue. Furthermore, where governments have access to significant revenues from resources, and have very limited reliance upon taxation, the accountability of government (both to the tax payers and to the electorate) can be undermined. The literature on the 'resource curse' in mineral abundant economies suggests that when states gain a large proportion of their revenues from external sources, such as gas or oil rents, this reduces the necessity for state decision-makers to levy domestic taxes. Consequently leaders become "less accountable to individuals and groups within civil society; more prone to engage in and accommodate rent-seeking and corruption; and less able to formulate growth-enhancing policies" (Di John, 2006, p. 8). In Myanmar, in addition to the scope for increased taxation, there is also scope for improvements in administration of taxes (IMF, 2012).

Currently there are only two major taxes in Myanmar: Income Tax which is expected to generate 42% of tax revenues, and Commercial Tax which is expected to generate 49%. The Commercial Tax is a sales tax levied at a variety of rates.

Figure 4: Estimates of taxation by type in the Myanmar budget, 2012-13



Source: MoFR

There are a number of discussions on how tax levels might be increased. There is discussion of an export tax (particularly on the export of natural gas) and also of the introduction of a value added tax. Consideration of both of these taxes will need to take account of well-established criteria for effective taxes which are:

- Yield. Tax yields should be stable and predictable, with changes kept to a minimum.
- Fairness and equity. The least well-off should pay a smaller proportion of tax – termed “vertical equity”. This is also known as progressive taxation. People in similar circumstances should be treated equally – termed “horizontal equity”.
- Ability to implement. Administratively simple; easy to calculate and easy to collect; clear, easy to understand, and of certain application.
- Economic neutrality. Tax should not distort economic decisions and should discourage neither economic growth nor individual enterprise and effort.

All of these criteria are important, but for realization of the rights of children, equity is especially important. Accordingly, it is of paramount concern to poor families and children that whatever modes of taxation are selected, they should be progressive. That is to say, those with higher incomes should pay a greater proportion of those incomes in taxes. It is not sufficient for taxation to be nominally progressive, i.e. with different rates of taxation for different income levels. In many countries with nominally progressive tax structures, those on higher incomes use tax shelters of different kinds to avoid taxation, often legally so. The result is that those with higher incomes may actually pay quite a low percentage in taxes. It is therefore important that measures are adopted to ensure that the taxation outcome is progressive.

5 Health Budget and Spending

5.1 Ministry of Health - structure and organization

The Ministry of Health is divided into 8 departments. These are: Minister's Office; Department of Health (DoH); 3 Departments of Medical Research for Lower, Upper, and Central Myanmar; Department of Medical Science; Department of Traditional Medicine; and Department of Health Planning. From a budgetary and operational point of view the DoH is by far the most important of these departments, taking 91% of the budget for FY 2012-13. The next most important department from a budgetary viewpoint is Medical Science, which took a further 5.5% of the 2012-13 budget, leaving only 3.5% of the total budget for the remaining five departments.

In view of its importance, and the limitations of space and time, much of the analysis within this report focuses upon the DoH only. Within the DoH there are 12 divisions¹⁰ each with a director: Budget; Administration; Planning, Public Health; Medical Care; Disease Control; Epidemiology; Law & Legislation; Food & Drug Administration; National Health Laboratory; Occupational Health; and Nursing. The budgetary analysis that follows is at the level of the DoH only.

Budgetary information at division and sub-division level is considered confidential and not easily accessible. The analysis that follows is based upon the high level budgetary analysis (by department and primary economic classification only) that was made available.

5.2 Health policies and plans

The 2012 version of Health in Myanmar (MoH, 2012) cites the Constitution which at Article 28 states that the Union shall (a) earnestly strive to improve... the health of the people and (b) in that the necessary laws to enable people to participate in matters of... their health. At Article 367 the Constitution promises that every citizen shall, in accordance with the health policy laid down by the Union, have the right to health care. Health in Myanmar also records, in addition to a number of specific laws, three areas of policy which are the National Health Policy 1993, the Myanmar Health Vision 2030, and the National Health Plan (2011- 2016).

A fourth policy is important for the analysis of child-focused budget, and that is the Myanmar National Action Plan for Children 2006-2015 (Union of Myanmar, 2006). This helpful document includes sections on health and nutrition, education and social welfare and itemises strategies and activities for each section.

Child-focused budgeting requires that policies prioritise children; that plans reflect policy; and that budgets (in allocation and operation) provide the funds necessary to realise plans. In Annex 3 to this report, summaries of these three policy and planning documents are juxtaposed and examined for consistency. The analysis suggests that there is only limited consistency between the three documents with a number of items in the 1993 Policy not present in the Vision and vice versa. In addition, there

10 The structure of the Departments within the MoH is set out in Health in Myanmar pp27-34, an annual publication. It also lists the key function of each division. This is essential information for budget analysis with a particular focus. For instance, in child-focused budget analysis we will be more interested in the budget of the Disease Control Division than Occupational Health.

are items in the Plan that reflect parts of the Policy, items in the Plan that reflect parts of the Vision, and some elements of the Plan which seemed to have originated there without any obvious policy genesis. It is understood that health policy is in a state of flux, and that the Ministry is working on a revision. For effective execution of health policy, as well as for effective budgetary analysis, it is imperative to ensure that policies and plans are consistent and that they form a basis for the budget.

There is a critical need to develop a comprehensive policy for health that clearly identifies how commitments to women, children and vulnerable groups will be met, and a National Health Plan that is wholly consistent with it. Without this basis, budgetary advocacy for children's rights does not have a strong foundation and will not be effective.

5.3 Relative priority of health spending

There is no formal policy on sectoral allocation of budgetary resources according to the document review. However, a key assessment of the real relative priority of a sector is to examine the amount allocated (and indeed the amount eventually spent):

- as a percentage of total budgetary expenditures

In the Myanmar context, total budgetary expenditures exclude expenditures by State Economic Enterprises (SEEs) because these are in general more than covered by SEE receipts. For the 2012/13 budget the total expenditure figures are as follows (the detail is in Annex 2):

Figure 5: Total health expenditure by type in the FY 2012-13 Myanmar budget

Expenditure Type	Amount
	MMK million
Current	178,662
Capital	213,535
Financial (interest)	
Total	392,197

Health spending (as measured by the allocation to the Ministry of Health) in the 2012/13 budget amounts to MMK 392,197 million, which is 5.7% of total spending on ministries and departments (MMK 6,833,362 million). From Annex 2 we can see that health represents 5% of current expenditures on ministries and departments, and 6.8% of corresponding capital expenditures.

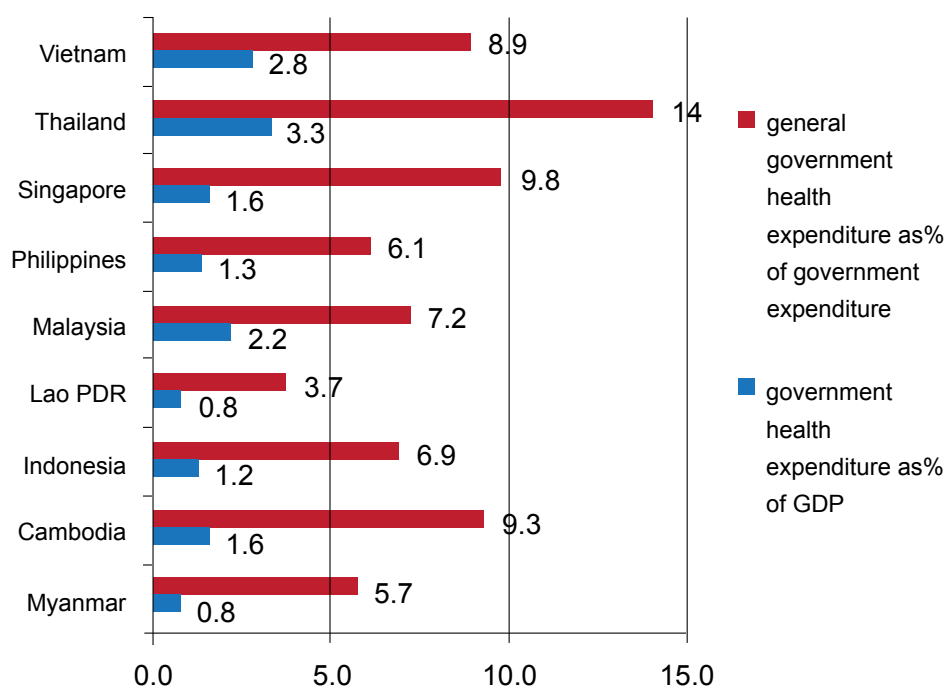
- as a percentage of GDP

Budgeted GDP for 2012/13 is MMK 51.38 trillion¹¹. Accordingly, health spending as a percentage of GDP is 0.76%.

For a regional perspective, it is helpful to look at Myanmar health spending in comparison with other countries in the region, and this is presented in Figure 6 below:

¹¹ Provided in a presentation entitled Potential Financial Allocation for Social Protection in Myanmar by Daw Nwe Nwe Win in July 2012

Figure 6: Health spending in Myanmar – ASEAN regional comparison



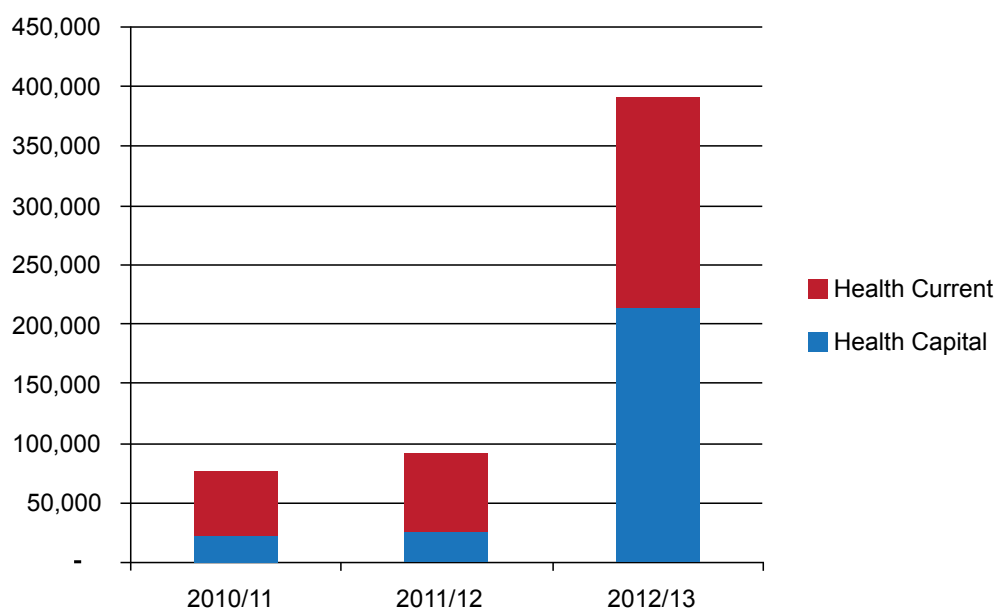
Source: MoFR Myanmar (2012), ESCAP Statistical Yearbook 2011 and own estimations.

Note: Myanmar figures are for 2012-2013. All other figures are for 2009. Own estimation was necessary for calculating 'public health spending as % of GDP' – these were derived from the 'private health expenditure as a % of total health expenditure' and 'total health expenditure as a % of GDP' indicators, for which data was available in Tables I.25 and I.26 of the ESCAP Statistical yearbook.

The figure shows government spending on health both as a percentage of GDP and as a percentage of total government expenditure. Myanmar's health expenditure is the lowest when measured as a % of GDP and second lowest after Lao PDR when measured as a percentage of total government expenditure. However, there have recently been significant increases in health spending in Myanmar as discussed elsewhere in this paper. As indicated above, if projected spending for 2012/13 is realized, Myanmar will spend more than 5% of public resources on health. However, because public resources are so meagre, it will remain at less than 1% of GDP.

The trend in the overall level of health budgets is very significant and is shown in Figure 7 below. Combining capital and current budgetary allocations, there is an increase from MMK 92 billion in 2010-2011 to MMK 390 billion in 2012-2013. This is definitely noteworthy, but deeper analysis yields reasons for a more cautious interpretation of this budget increase.

Figure 7: Health budget allocation in Myanmar for FY 2010-11 to 2012-13 -capital & current - MMK million



Source: MoFR. 2011-12 revised estimate; 2012-13 original estimate

First, the comparison is between the revised budget for FY 2011-12 and the original estimate for FY 2012-13¹². Since the revised budget includes re-appropriations and supplements which can be expected in any original estimate, comparing the two in order to derive the year-on-year increase is not ideal to begin with. Second, the budget comparison is affected by inflation which for the year in question was in the region of 5% (although even after adjusting for this, the real increase is 304% year on year). The third point is that in the Ministry of Health budget for FY 2012-13, pay allowances and honoraria account for MMK 75.7 billion, which is 42.8% of total budgeted expenditure. There has been a very large salary increase between FY 2011-12 and FY 2012-13; whilst this has been long overdue (and may help to improve productivity through enhancing morale) it does not indicate additional human resources for the sector. The fourth issue was introduced in Section 3 above and relates to the unification of the exchange rate. There has been a dramatic change in costs as a result of moving from an official rate of MMK 6 = USD 1 to a rate of MMK 800 = USD 1, but it is extremely difficult to evaluate its budget impact because the foreign exchange component of the budget has not been made available. It is possible that some (perhaps most) of the MMK 100 billion increase in the health budget reflects a large increase in the cost of imported medicines and imported equipment rather than a significant increase in quantities of goods.

An effective comparison of the real budgetary increase would require the following further information:

- Full analysis of salary costs indicating what percentage of the increase had been applied to increases in salary for existing staff and what percentage was for the engagement of new staff (for instance, HR policy for increasing the number of midwives is not reflecting in the budget increase);
- Full breakdown of both years budgets indicating the foreign exchange elements of different categories and rates used.

12 In the Myanmar system the Revised Budget can be quite close to the final actual figure since all funds not expected to be spent have been reallocated, and any necessary supplements included.

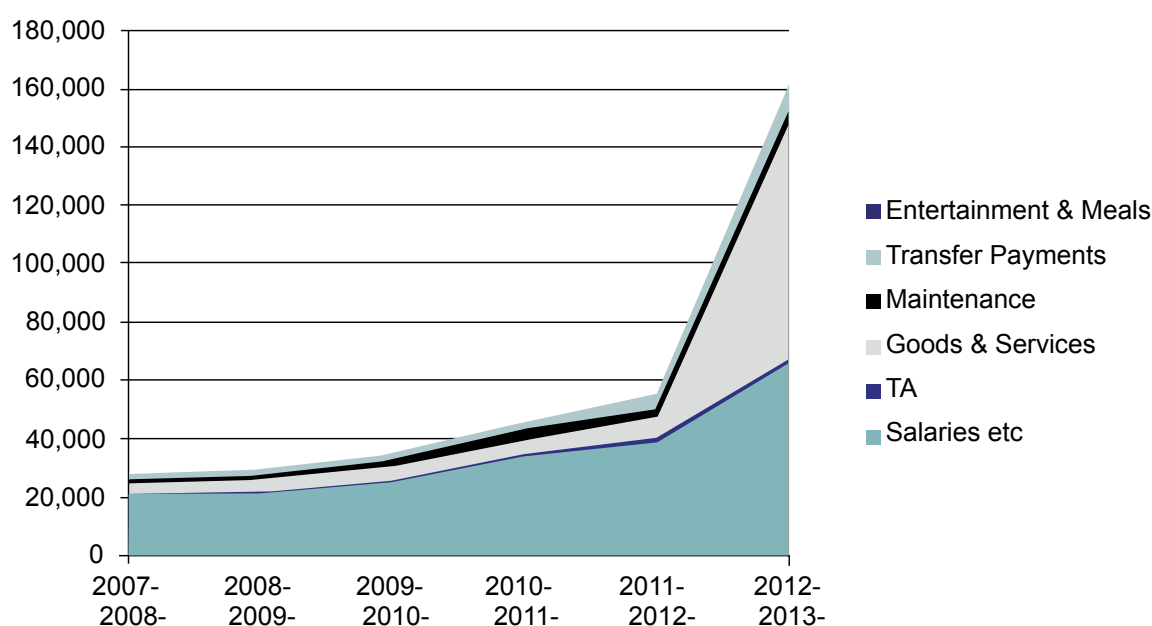
5.4 Health expenditures by economic classification

As indicated above, this paper concentrates on the DoH and is limited to analysis of the expenditure by department and by economic classification (or expenditure type). The structure of the Ministry has been outlined at paragraph 7.1 above. Within the DoH, expenditures by standard economic classification of government are:

1. Pay allowance and honoraria
2. Travelling allowance
3. Expenses on goods & services
4. Maintenance charges
5. Transfer payments
6. Entertainment & meal expenses
7. Special expenses

Movement within these economic classifications is set out in Figure 8 below.

Figure 8: Current spending of Myanmar DoH by economic classification - MMK million



Source: MoFR. 2007-08 to 2010-11 actual; 2011-12 revised estimate; 2012-13 estimate

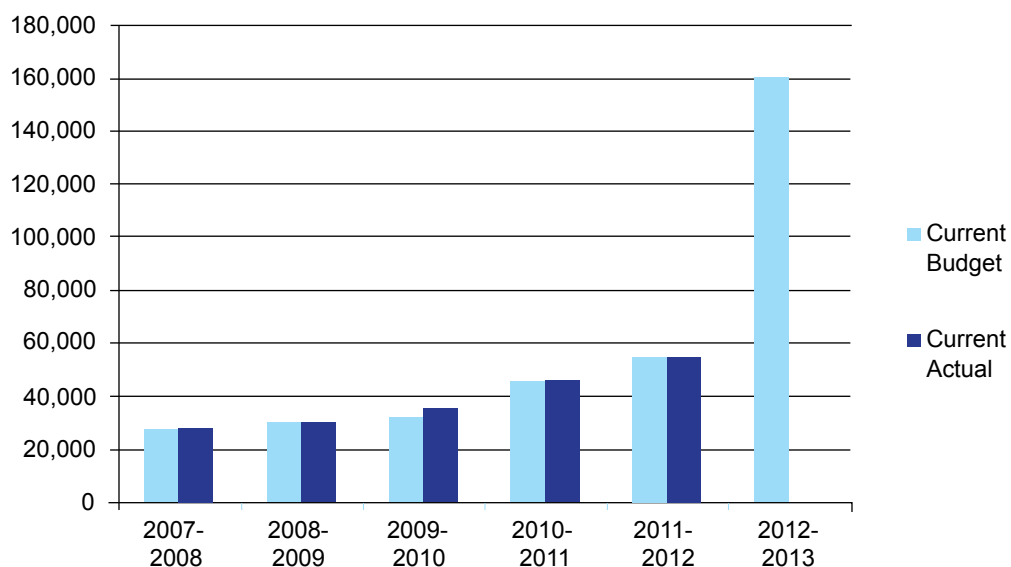
From FY 2007-08 to FY 2011-12 expenditures in the DoH were dominated by salaries, which accounted for more than 70% in all years. In the much increased budget of FY 2012-13 this pattern changed with goods and services taking 49.9% of the total allocation (vs 13.6% in 2011-12) and salaries only 40.7%. It is understood that a significant amount of the increase in goods and services is for medicines and medical supplies whose cost will have increased dramatically with the changed exchange rate, so that this may not represent a substantial improvement in the quantity or quality of material resources. Again, more information is required to draw meaningful conclusions.

5.5 Health spending against budget (current)

Figure 9 below shows actual current spending on health against the planned current budget for health, for the years 2007-08 to 2012-13. In all years except 2009-10 the figures were identical. It is understood that this arises because of the controls inherent in the system which prevent any payments being made in excess of authorised amounts. Through the system of sanctions and drawing limits described in Annex 5, the Myanmar Economic Bank (MEB) is notified of the payment limits for each ministry, department and agency and it enforces these limits strictly. However, this control at the point of payment does not prevent expenditures from being incurred and not paid, resulting in a build-up of arrears. For this reason, the true position cannot be known without information on arrears.

The precise reason for the excess of actual spending over budget in FY 2009-10 is also not known, but given the systemic control, the Ministry must have received a supplementary budget.

Figure 9: Health spending in Myanmar against budget - MMK million



Source: MoFR. 2007-08 to 2010-11 actual; 2011-12 revised estimate; 2012-13 original estimate

In determining the credibility of the budget it is necessary to compare the original estimate against the actual spending, but the data presented appear to be the revised budget (which is revised late in the financial year to approximate expected actual spending). Securing original budget data for this Ministry will make the comparison more meaningful.

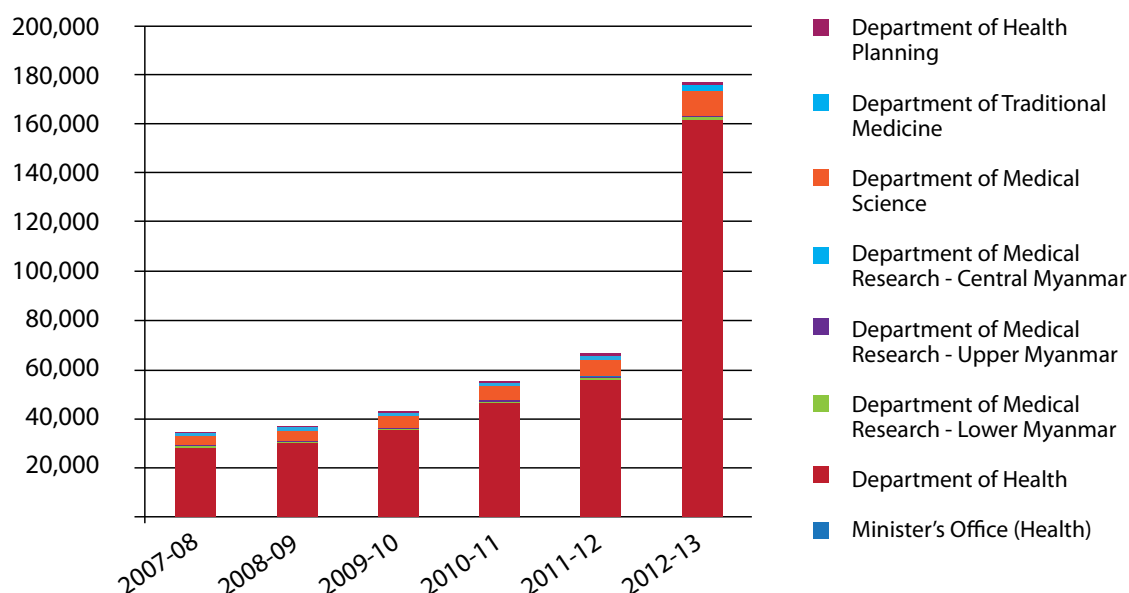
5.6 Programmatic analysis of recurrent health spending

Figure 10 shows health spending by department which is the nearest approximation to programme at high level. At departmental level, the most significant observation is the total dominance of one department – the DoH. Its dominance has not changed with the recent dramatic increase in the health budget.

For equity analysis, it would be necessary to have information according to regions as well as according to the level of services (primary, secondary or tertiary), and a more specific analysis could be done with divisional budgetary information (including spending) which at this stage is not publicly available. However, even divisional information would be insufficient for the analysis of budget by programme

where one department houses many programmes and sub-programmes, or in some cases where one programme might have components in two separate departments. A functional review of the Ministry to specify programme outputs, and to establish how programmes are aligned to departments, would be useful. This could be undertaken as part of a full PER of the health sector.

Figure 10: Health spending in Myanmar by department



Source: MoFR. 2007-08 to 2010-11 actual; 2011-12 revised estimate; 2012-13 original estimate

The lack of budgetary information provided by the departmental analysis derives in large measure from the lopsided structure of the Ministry itself. The available budgetary data and structural information imply structural constraints of MoH for the performance and delivery of targeted objectives stated in the health policies.

The distribution of power and responsibility within the MoH may need to be reconsidered. It is hard to justify the existence of a department in any ministry which is responsible for less than 5% of budget, except where there is an exceptional need¹³. In the MoH there are 6 such departments out of 8. Smaller units are best grouped together by programmatic links under for instance Disease Control, Maternal Health, Preventive Health or Hospital Management. These major areas do not currently have departmental status or control over budgetary decisions, but are often relegated to divisions within DoH. The elevation of major programmatic areas to department level would have positive consequences for budgetary management: first it would mean that all major programmatic areas are managed at the level of director general, and not at deputy director general level, so that the activity has a higher profile (and areas of lesser importance have a lower profile); and second, the high level departmental analysis of budget would give an immediate and useful overview of budgetary emphasis and implementation¹⁴. Structural changes in the MoH might therefore be considered to improve budgetary decisions and responsibilities for effective allocations, to improve the performance and service delivery of the MoH.

¹³ One such case is internal audit which might be quite small but requires separate status to ensure its independence.

¹⁴ From a human resource management point of view it would also be beneficial, ensuring a flatter structure and a more balanced composition of departmental heads.

As it stands, the departmental analysis is not deep enough to be very revealing. Additional programmatic information is available in Health in Myanmar 2011 (MoH, 2011) which is presented in the figure below. It shows that, for the years indicated, few medical supplies were financed through government spending - only 3.16% of the total; and 32% of government spending on health was for prevention and public health.

Figure 11: Health expenditures in Myanmar by function (2006-07 to 2009-10)

Functions	2006-07 %	2007-08 %	2008-09 %	2009-10 %
Curative & Rehabilitative	37.03	37.72	32.05	31.67
Ancillary Services	0.28	0.24	0.37	0.63
Medical Goods Dispensed	3.73	3.44	3.60	3.16
Prevention & Public Health	21.62	24.03	30.59	32.32
Health Administration & Insurance	3.68	3.86	3.63	2.80
Health Related Services	33.66	30.71	29.76	29.42
	100.00	100.00	100.00	100.00

Source: MoH, 2011

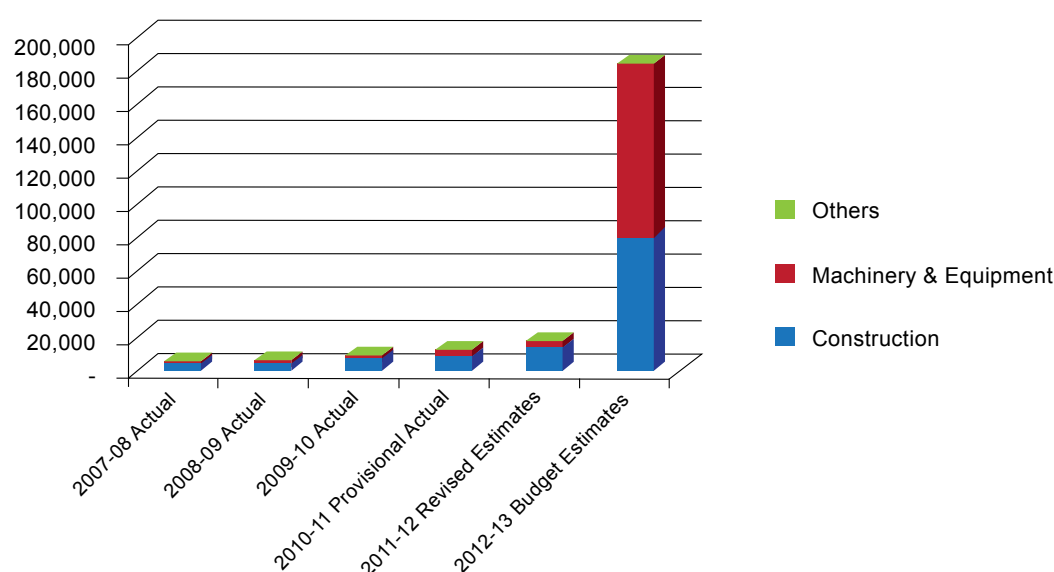
Since we do not have the underlying data, the table raises as many questions as it answers: What programmes and outputs are included in health related services? Or curative and rehabilitative? Why do the proportions stay so static? Is this the impact of incremental budgeting in the absence of strategic initiatives?

5.7 Programmatic analysis of capital health spending

Capital spending analysis is available at high level, distinguishing construction, machinery and equipment and other capital expenditures. The chart below shows that there has been throughout a heavy emphasis on new construction over equipment, with construction costs representing from 88% to 95% of the total capital budget from FY 2007-08 to FY2011-12. The FY 2012-13 budget promises to change this pattern with a dramatic increase in both construction costs to MMK 84.7 billion (from MMK 14.9 billion of 2011-12) and machinery and equipment to MMK 99.5 billion (from MMK 1.1 billion in 2011-12). Construction now represents only 46% of the capital budget for FY 2012-13 (vs 93% in 2011-12).

Assessing the implications of capital spending for children and equity will require more detailed information than was made available, e.g. the geographic and per capita distribution of infrastructure costs in order to get an indication whether new infrastructure would benefit poor and vulnerable families.

Figure 12: Myanmar MoH capital spending: 2007-08 to 2012-13 - MMK million



Source: MoFR. 2007-08 to 2010-11 actual; 2011-12 revised estimate; 2012-13 original estimate

There is an important caveat to these figures since the machinery and equipment figures in particular are unlikely to be comparable. It is likely that much of the machinery and equipment budget was financed with foreign exchange, and the official exchange rate has been allowed to appreciate dramatically as indicated above. Had all machinery and equipment spending been financed at the official rate for both 2011-12 and 2012-13, the comparison would be much less dramatic and in fact would show a reduction in machinery and equipment spending from USD 183.3 million in 2011-12 to USD 124.4 million proposed for 2012-13.

5.8 Conclusions

The low level of expenditure in health is striking. In the budget for FY 2012-13, health is less than 6% of total spending on ministries and departments and only 5% of current expenditures. Projected health spending as a percentage of GDP is only 0.76%, far below rates of spending in neighbouring countries. This might be related to the very low levels of taxation in Myanmar, and highlights the need for increasing revenues to create fiscal space – together with a strong political decision to ensure greater access to services and invest more in the protection of health of Myanmar families and children. Low levels of taxation make it difficult to address regional and other disparities in health and lead to high out-of-pocket expenditure.

Current health spending is dominated by salaries. Whilst this has a strong positive aspect, there is a continuing concern that it crowds out spending on goods and services and especially medicines. The low level of medicines reported in hospitals and clinics strengthens this view.

There have been very large increases in the health budget in FY 2012-13 but this may not lead to real improvements in health because they are biased toward the capital budget. In the current budget they have financed increased salaries; also, there is a huge increase in the goods and services budget, but it is likely driven by the exchange rate adjustment of 2012 and may not reflect a real increase in provision. Real expenditure trends are still confused by change in the exchange rate which are difficult to unravel without further data and time-consuming analysis.

This report makes no attempt to critique the content of health policy, but it is clear from information presented in Annex 3 that health policy is in disarray and is not sufficiently clear to represent a starting point for planning and budgeting. There is little mention of children in any of the three policy documents examined. Effective budgetary analysis in the health sector will require linkages between policy, plans and budgets, but at present there is insufficient data in all three areas.

There is insufficient information in the data presented to identify those areas of specific interest to the wellbeing of children. A much deeper analysis of spending in the DoH would be required to identify spending in the key areas of family health, malaria, diarrhoea etc. A full breakdown of the DoH budget is required for this exercise, especially related to those directorates likely to be most concerned with children's wellbeing – Public Health, Medical Care and Disease Control. Some areas such as immunisation, which is highly relevant to children, are supported off-budget.

This analysis doesn't include regional spending information, either budgeted or historical, and it has not been possible to make any assessment. However, there is no evidence of any equitable resource allocation formula in use to allocate funds between regions and districts according to population, remoteness, extent of social disparities, rates of poverty, etc. Evidence from discussion suggests rather that allocations are made to health institutions on an incremental basis from year to year, without regular review of health conditions and needs. This requires further exploration.

Finally, a lot of data is missing, and without detailed programme data for MoH, it is difficult to say how key programmes affecting children are being provided for in the budget

6 Education Budget and Spending

6.1 Ministry of Education - structure and organization

The Ministry of Education¹⁵ is divided into 10 departments including the Minister's Office. These are: Minister's Office; two Departments of Higher Education (DHE) for Lower and Upper Myanmar; three Departments of Basic Education (DBE) for Lower Myanmar, Upper Myanmar and Yangon; Department of Education Planning and Training (DEPT); Myanmar Board of Examination; Myanmar Research Bureau; and Department of Myanmar Language Commission. From a budgetary and operational point of view the DBE is by far the most important of these departments, taking 86% of the current budget for FY 2012-13. The next most important department from a budgetary viewpoint is the DHE which took a further 10% of the 2012-13 current budget, leaving only 4% of the total budget for the remaining 19 departments, most of which is taken by the DEPT.

In all we can say that, for FY 2012-13, 90% of the MoE budget is allocated to basic education. Spending on basic education is not limited to the DBE budget. The greatest part of the budget of DEPT is also for basic education, as is the budget for the Myanmar Board of Examination.

As for the other social sectors, this report focuses on the high level budgetary analysis (by department and primary economic classification only) that was made available. In view of its importance, much of the analysis in this chapter focuses on the DBE budget.

¹⁵ About 85% of government expenditure on education is channeled through the Ministry of Education (MoE), 10% through the Ministry of Science and Technology and the rest through 9 other ministries. As basic education comes primarily under the purview of MoE, it makes sense for a child-focused budgetary analysis such as this to focus on the budget allocation to MoE.

6.2 Education policies and plans

There are four sources of information on education policy. The first and highest level is the Constitution of 2008 (Government of Myanmar, 2008) which includes several provisions relating to education as follows:

- Section 22c states that the nation will strive to promote socio-economic development including education... of less-developed national races;
- Section 28a states that the nation will earnestly strive to improve education ... of the people;
- Section 28b states that the nation will enact the necessary law to enable national people to participate in matters of their education and health;
- Section 28c states that the nation will implement a free, compulsory primary education system; and
- Section 28d states that the nation will implement a modern education system that will promote all-around correct thinking and a good moral character contributing towards the building of the nation.

At Section 366 the 2008 Constitution states that every citizen, in accord with the educational policy laid down by the Union (a) has the right to education; and (b) shall be given basic education which the Union prescribes by law as compulsory.

A second source of education policy is the 30 Year Plan of 2001, which stresses the importance of education and lists 12 objectives including the transformation of Myanmar into a knowledge-dominated, learning society in which education attains international standards. It presents ten programmes for basic education including: access for all; accelerating basic education in rural and border areas; and upgrading the quality of education.

A third source of policy is Education Development in Myanmar (Union of Myanmar, 2012). This short book restates the vision and motto of Myanmar education respectively as: to create an education system that will generate a learning society capable of facing the challenges of the knowledge age; and building a modern developed nation through education. It also presents the 10 education policy points of the Head of State, literally reported here:

- a. To implement a free compulsory primary education system;
- b. To increase the enrolment rate in the basic education sector;
- c. To nurture a new generation of intellectuals and intelligentsia in the human resources development;
- d. To improve the capacities of teachers in both basic and higher education sectors;
- e. To utilise teaching aids more effectively;
- f. To upgrade the quality and the socio-economic status of education personnel;
- g. To provide scholarships, stipends and awards both locally and internationally;
- h. To promulgate relevant laws for the participation and contribution of the private sector in education services;
- i. To collaborate with international and local organizations - UN, INGOs, and NGOs;
- j. To upgrade the education standard to international level.

These 10 points present a change of emphasis towards improving the capacity of teachers and upgrading the quality and socio-economic status of teachers, and explicitly acknowledge the intention of working with the UN, INGOs, and NGOs. At the same time, the objectives of the longstanding policy endure: a free compulsory primary education system; greater access (better enrolment rate); and quality improvement

(to upgrade the education standard to international level). However, there is no specific reiteration of the constitutional commitment to prioritise education for the “less-developed national races”.

Finally there is a fourth source of policy which is the National Action Plan of Education for All (EFA - Union of Myanmar, 2003). This plan relates only to basic education, but as we have seen above, that accounts for 90% of the education budget. The EFA goals are consistent with the broad policy outlined above, but focus on the MDG completion year of 2015 and include wider goals relating to the spread of functional literacy, comprehensive early childhood care, early childhood education and strengthening of educational management.

As indicated above, child-focused budgeting requires that policies prioritise children; that plans reflect policy; and that budgets (in allocation and operation) provide the funds necessary to realise those plans. It is clear that goals of improved access to education and improved quality of education run through all the policy documents considered above. However, there is still no single comprehensive education policy, and as with health, this is a critical need. It is expected that proposals for policy development and related planning practice will emerge from the current Comprehensive Education Sector Review¹⁶.

6.3 Relative priority of education spending

There doesn't seem to be in Myanmar any formal policy on sectoral allocation of budgetary resources. However, as for the health sector, a key assessment of the real relative priority of education can be done by examining the amount allocated (and indeed the amount eventually spent), as a percentage of total budgetary expenditure, and as a percentage of GDP.

- as a percentage of total budgetary expenditures

In the Myanmar context, total budgetary expenditures exclude expenditures by State Economic Enterprises (SEEs) because these are in general more than covered by SEE Receipts. For the 2012/13 budget the total expenditure figures are as follows (the detail is in Annex 2):

Figure 13: Total education expenditure by type in the FY 2012-13 Myanmar budget

Expenditure Type	Amount
	MMK million
Current	543,016
Capital	209,050
Financial (interest)	
Total	752,066

- as a percentage of GDP

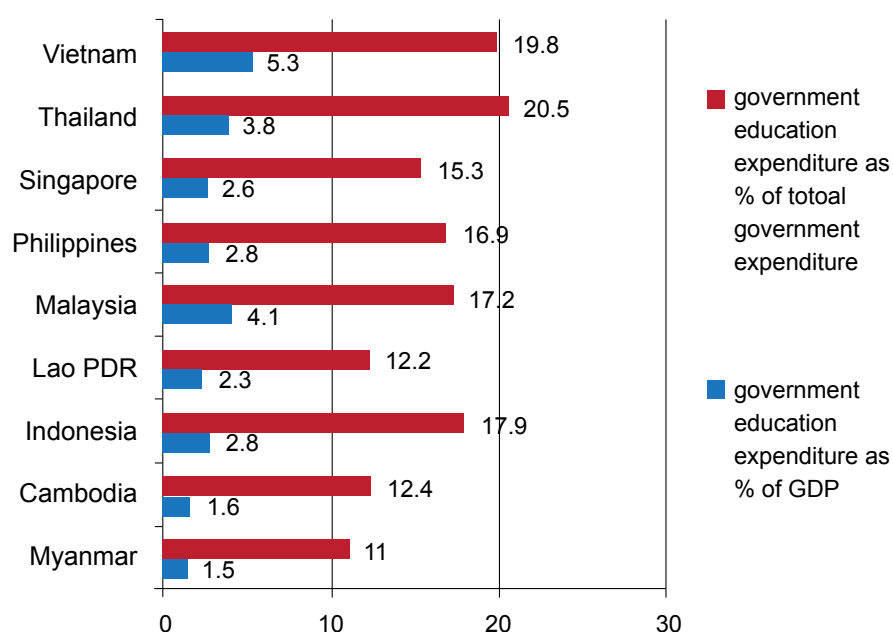
Education spending (as measured by allocation to the Ministry of Education) in the 2012/13 budget amounted to MMK 752,066 million, which is 11% of total spending on ministries and departments (MMK 6,833,362 million). From Annex 2 we can see that education represents 15.2% of current expenditures on ministries and departments, and 6.7% of corresponding capital expenditures.

¹⁶ Within the sector review, a team led by the World Bank and AusAid has prepared a “rapid Assessment of the Financing of the Education Sector in Myanmar”, currently shared with the Government for consideration. The report will contribute to the Public Expenditure Review of the education sector which the World Bank is conducting at present in Myanmar

Budgeted GDP for 2012/13 is MMK 51.38 trillion as indicated earlier. Accordingly, education spending as a percentage of GDP is 1.46%.

For a regional perspective it is helpful to look at Myanmar in comparison with other ASEAN countries, and this is presented in Figure 14 below. The figure shows government spending on education both as a percentage of GDP and as a percentage of total government expenditure. Unfortunately the latest comparative information is for 2008, at which time Myanmar spending on education was at 0.7% of GDP and 3.5% of total government expenditures. However, budgeted spending for 2012-13 has been added, which still compares poorly with Myanmar's neighbours, even if fully implemented. There is clearly some distance to travel.

Figure 14: Education spending in Myanmar - ASEAN regional comparison

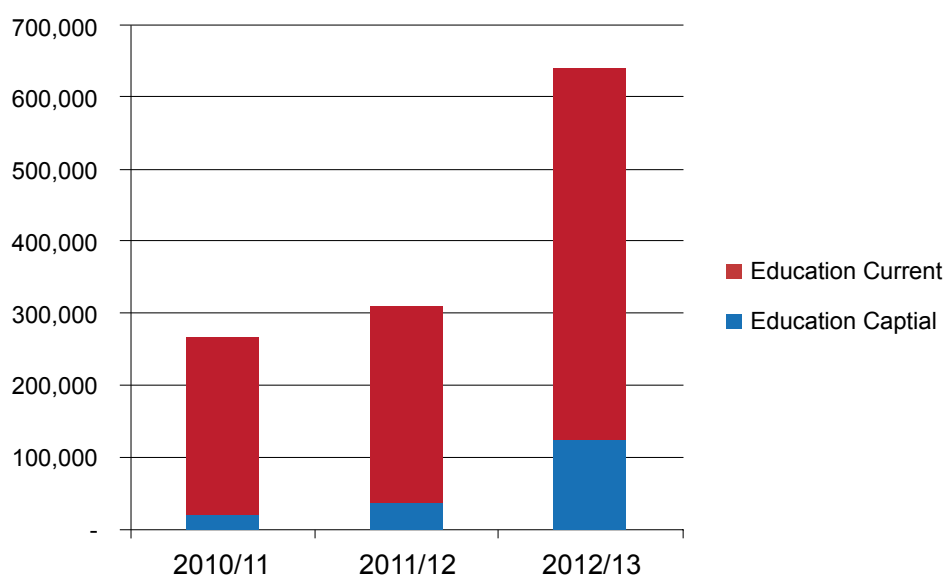


Source: Myanmar MoFR (2012) and ESCAP Statistical Yearbook 2011

Note: Myanmar figures are for 2012-2012, all other figures are for 2008, except Cambodia which is for 2007.

If projected spending for 2012/13 is realized, Myanmar will spend 11% of public resources on education. However, because public resources are so meagre, it will remain at only 1.5% of GDP.

Figure 15: Education allocation in Myanmar for FY 2010-11 to FY 2012-13 capital and current - MMK million



Source: MoFR. 2011-12 revised estimate; 2012-13 original estimate

Like health, education budgets have increased significantly and are shown in Figure 15 above. Combining capital and current budgetary allocations, there is an increase from MMK 310 billion in FY 2011-12 to MMK 639 billion in FY 2012-13. This increase is dramatic, but there are some issues to consider if the comparison is to be interpreted correctly.

First, the comparison is between the revised budget for FY 2011-12 and the original estimate for FY 2012-13¹⁷. Since the revised budget includes re-appropriations and supplements which can be expected on any original estimate, comparing the two to derive the year-on-year increase is not ideal to begin with. Second, the budget comparison is affected by inflation which for the year in question was in the region of 5% (although even after adjusting for this, the real increase is 96% year on year). A third point is that in the 2012-13 education budget, pay allowances and honoraria account for MMK151 billion, or 84.4% of the total ministry budget. There has been a very large salary increase between FY 2011-12 and FY 2012-13 and whilst this has been long overdue (and may help to improve productivity through enhancing morale), it does not indicate additional physical resources for the sector. Finally, the unification of the exchange must certainly have contributed to the dramatic change in costs as well, but it is difficult to evaluate its exact impact on education spending. It will have affected education current cost in some respects, and it will have affected education capital costs particularly in the area of imported equipment. It is difficult to evaluate because the foreign exchange component of the budget has not been made available, but it is plausible that some of the MMK 100 billion increase in Current budget reflects a large increase in the cost of imported items rather than a significant increase in quantities of goods and services.

An effective comparison of the real budgetary increase would require the following further information (as for health):

- Full analysis of salary costs indicating what percentage of the increase had been applied to increases in salary for existing staff and what percentage was for the engagement of new staff;

17 As mentioned earlier, in the Myanmar system the revised budget can be quite close to the final actual figure since all funds not expected to be spent have been reallocated, and any necessary supplements included.

- Full breakdown of both years budgets indicating the foreign exchange elements of different categories and rates used.

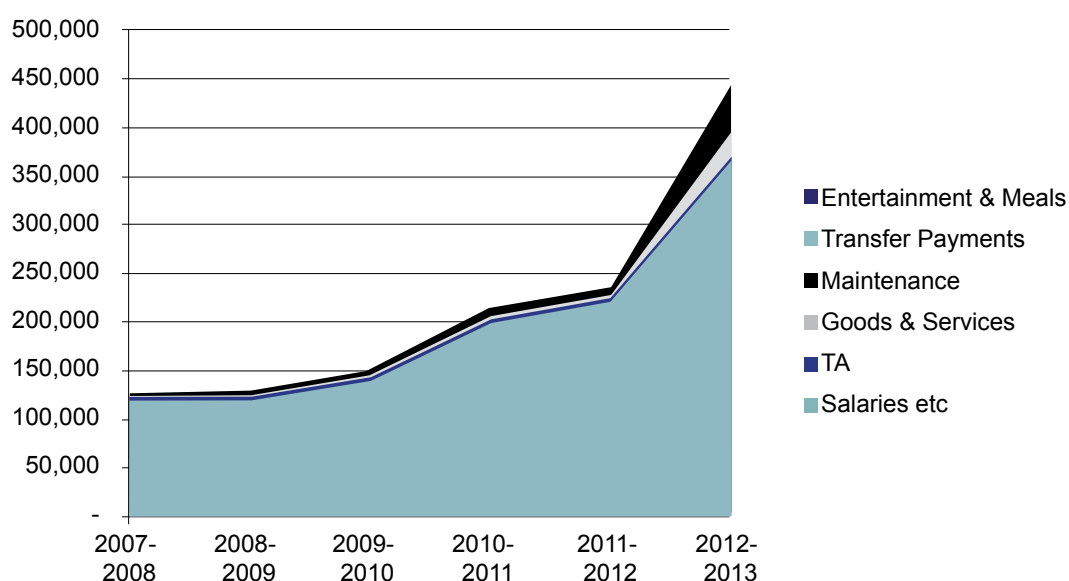
6.4 Education expenditures by economic classification

As indicated above, this paper concentrates on DBE and is limited to the analysis of expenditure by department and by economic classification (or expenditure type). The structure of the Ministry has been outlined in paragraph 6.1. DBE uses the standard economic classification of government which is:

1. Pay, allowance and honoraria
2. Travelling allowance
3. Expenses of goods & services
4. Maintenance charges
5. Transfer payments
6. Entertainment & meal expenses
7. Special expenses

And movement within these economic classifications is set out in Figure 16 below.

Figure 16: Education spending in Myanmar by economic classification, 2007-08 to 2012-13



Source: MoFR. 2007-08 to 2010-11 actual; 2011-12 revised estimate; 2012-13 original estimate

From FY 2007-08 to FY 2011-12 expenditures in MoE were dominated by salaries, which accounted for 83% to 90% of all expenditures. However, in the increased budget of FY 2012-13 this pattern changed somewhat with the salary percentage slipping to 78%. Goods and services took 10.2% of the total 2012-13 allocation (2011-12: 5.2%) and maintenance 10.8% (2011-12: 4.0%).

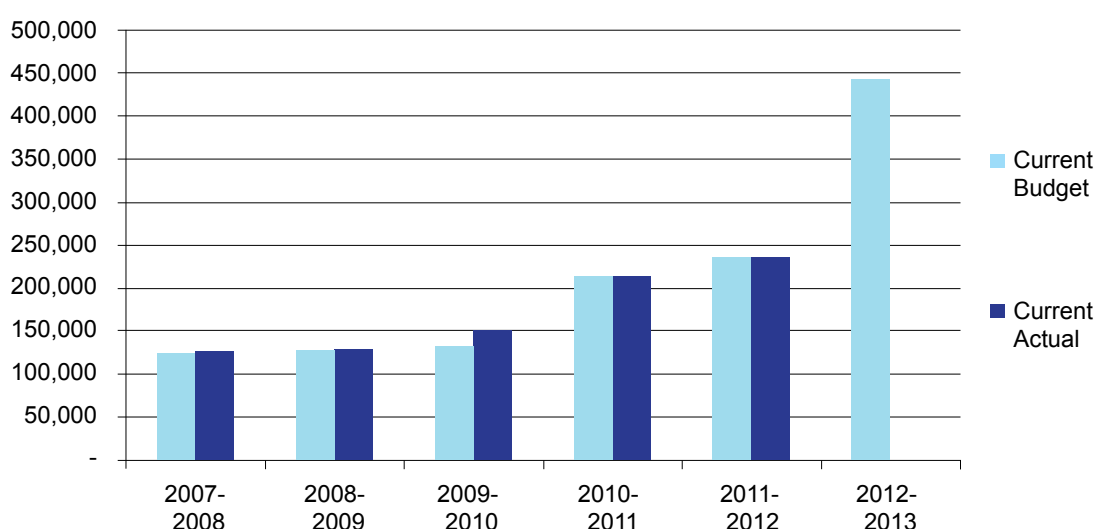
Only MMK 8 billion of the MMK 52.5 billion budgeted for goods and services is for school books and this is included in the budget for planning and training. The MMK 5.5 billion for textbooks was deemed to be insufficient while the MMK 2.5 billion for exercise books was considered adequate. As with salaries, the bulk of expenditure on goods and services and maintenance is within the three Departments of Basic Education for school level activities. The three Departments of Basic Education account for 91% of

budgeted salaries in 2012-13, 56% of budgeted goods and services and 81% of budgeted maintenance costs.

6.5 Education spending against budget (current)

Figure 17 shows actual current spending on education against the planned current budget for education, for the years 2007-08 to 2012-13. Similar to the pattern observed for health, in all years except 2009-10 the figures were identical. As with health, it is understood that this arises because of the controls inherent in the system which prevent any payments being made in excess of authorised amounts. Through the system of sanctions and drawing limits described in Annex 5, MEB is notified of the payment limits for each ministry, department and agency and it enforces these limits strictly. However, this control at the point of payment does not prevent expenditures from being incurred and not paid, resulting in a build-up of arrears. For this reason the true position cannot be known without information on arrears. The precise reason for the excess of actual spending over budget in FY 2009-10 is also not known, but given the systemic control, the Ministry must have received a supplementary budget.

Figure 17: Education spending in Myanmar against budget - MMK million



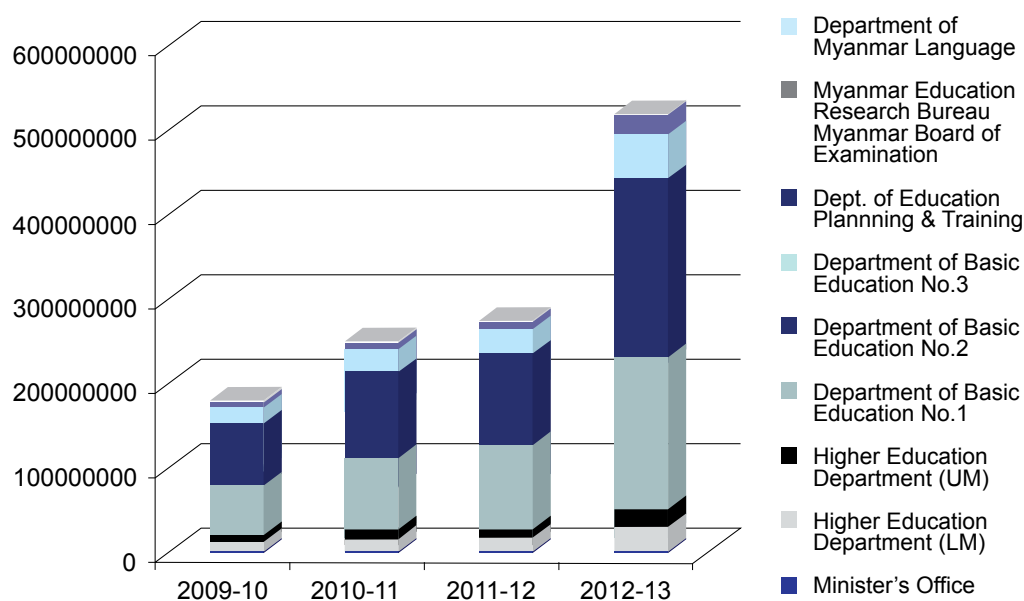
Source: MoFR. 2007-08 to 2010-11 actual; 2011-12 revised estimate; 2012-13 original estimate

In determining the credibility of the original budget it is necessary to compare the original budget against the actual spending, but the data presented appear to be the revised budgets (which are revised late in the financial year to approximate expected actual spending). Securing original budget data for this Ministry will make the comparison more meaningful.

6.6 Programmatic analysis of recurrent education spending

Figure 18 presents an analysis of education spending by department which is the nearest approximation to a programme budget at high level. At departmental level, the most significant observation is the total dominance of the three DBE, which account for 85.8% of the budget for FY 2012-13.

Figure 18: Education spending in Myanmar by department



Source: MoFR. 2007-08 to 2010-11 actual; 2011-12 revised estimate; 2012-13 original estimate

A functional review of the Ministry to specify programme/departmental outputs, and to establish how programmes are aligned to departments, would be recommended. This could be undertaken as part of the current Comprehensive Education Sector Review and the associated PER.

The lack of budgetary information provided by the departmental analysis derives in large measure from the unbalanced structure of the Ministry itself. Whilst basic education will inevitably be a large part of the Ministry, it is hard to justify the existence of a department in any ministry which is responsible for less than 5% of budget except where there is an exceptional need¹⁸. Smaller units are best grouped together by programmatic links under an internationally recognized structure. These major areas do not currently have departmental status, but are often relegated to divisions within DBE. The elevation of major programmatic areas to department level would have positive consequences for budgetary management, as indicated in the section on health expenditure (para 5.6).

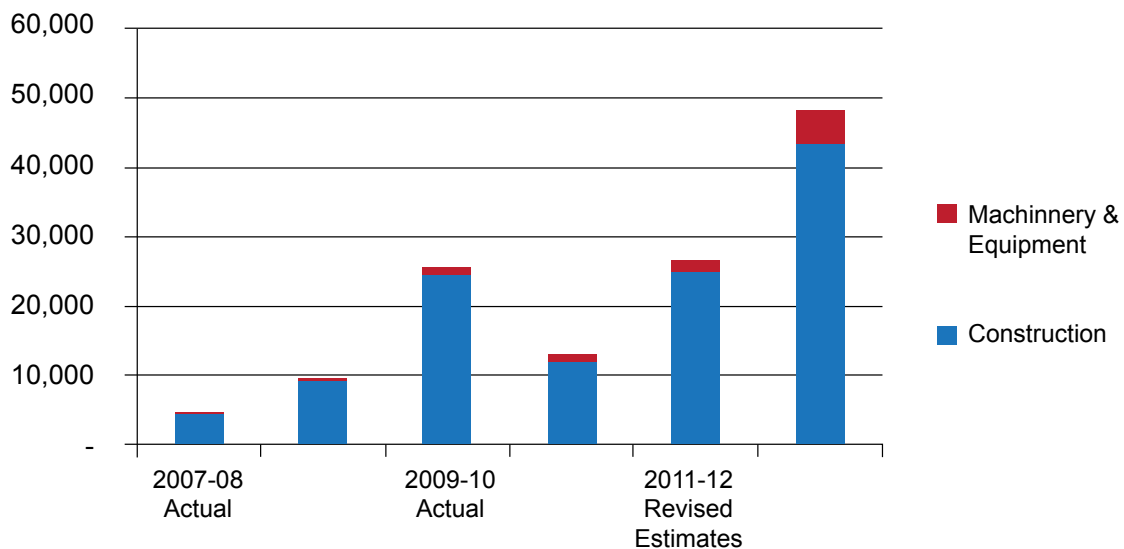
6.7 Programmatic analysis of capital education spending

Capital spending analysis is available at high level, distinguishing construction, machinery and equipment and other capital expenditures. Figure 19 shows information for the three DBE only. It shows that, as with health, there has been a heavy emphasis on new construction over equipment, with construction costs representing over 90% of the total capital budget from FY 2007-08 to FY2011-12. In FY 2012-13 the budget increased significantly to MMK 48.5 billion (2011-12: 26.6 billion) an increase of 82%. The budgeted proportion for construction fell slightly to 89.4% (2011-12: 93.6%).

Again, as with health, assessing the implications of capital spending for children and equity will require more detailed information, e.g. the geographic and per capita distribution of infrastructure costs in order to get an indication whether new infrastructure would benefit poor and vulnerable families.

18 One such case is Internal Audit which might be quite small but require separate status to ensure its independence.

Figure 19: Capital spending in Myanmar DBE: 2007-08 to 2012-13 - MMK million



Source: MoFR. 2007-08 to 2010-11 actual; 2011-12 revised estimate; 2012-13 original estimate

6.8 Conclusions

Expenditure on education is almost entirely supportive of the wellbeing of children, and in Myanmar this is especially so since approximately 90% of the budget is spent on Basic Education.

The low level of spending on education is very concerning. Although education accounts for 11% of total government expenditures and 15% of current government expenditures, it only accounts for 1.5% of GDP using budgeted figures for FY2012-13. This is significantly less than the spending of neighbours and is related to the prevailing low levels of taxation. A clear political will to direct economic opportunities towards an increased investment in the education sector is strongly advocated for.

There are high nominal increases in spending in the budget for FY 2012-13, but these may be less significant than they at first appear because of substantial salary increases and increases in the price of imported goods. Neither of these represent an increase in real resources for the education sector.

Education spending is dominated by salaries (current) and construction (capital), which is positive, but the concern remains that salary pressures crowd out spending on goods and services.

Policy is fragmented in several documents, and in a state of transition, although key high-level themes recur throughout. However, effective budget analysis will require linkages to be made between policy plans and budgets, and at present insufficient data is available in all three areas. This will render child-focused budgeting in education difficult, and highlights the importance of transparency in developing future analysis.

Spending equity is embraced in the constitution and is a key principle in the realisation of children's rights. No useful data on regional spending has been published, and there is no accountability in the new regional grants. There is some limited evidence that there is spending equity among schools which is presented at Section 10 below.

Some information on outputs exists, but this needs to be systematically analysed. There appears to be a heavy emphasis on construction of new schools but this may not be efficient.

7 Social Welfare Budget and Spending

7.1 Ministry of Social Welfare, Relief and Resettlement structure and organization

From the point of view of budgetary analysis, Social welfare is distinct from health and education in two respects. First, it is part of a ministry rather than a ministry in itself (a situation which is not by any means unique to Myanmar). It is a department of the Ministry of Social Welfare, Relief and Resettlement (MoSWR&R), and in recent years has accounted for between 20% and 30% of that Ministry's budget. Second, it often consists of a number of disparate interventions and expenditures, and consequently is not as well-defined as health or education (although ambiguities exist in the definition of those sectors as well). For this reason, there is no easy basis for comparison between countries.

This paper considers briefly the activities of the Department of Social Welfare (DSW). It has the following divisions, each headed by a director: Administration; Children and Youth, which includes units responsible for child protection and early childhood development; Rehabilitation, which includes units responsible for women, the elderly, and disabled persons; and finally International Relations and Planning, which liaises with international organizations.

As with other ministries, the following elaboration is based upon the high level budgetary analysis (by department and primary economic classification only) that was possible with the limited information.

7.2 Social welfare policies and plans

The Revised Constitution has no comment on poverty, but at S.31 it commits the Union to assist to reduce unemployment among the people. At S.32 it states that the Union shall care for mothers and children, orphans, fallen defence services personnel's children, the aged and the disabled.

A social welfare policy is being developed based upon the revised Constitution. In its absence, the best statement of social welfare policy as it affects children is contained in the Myanmar National Plan of Action for Children 2006-2015 (Union of Myanmar, 2006)¹⁹. This helpful document includes sections on health and nutrition, education and child protection, and itemises strategies and activities for each section. The strategies for child protection are to:

- Strengthen the National Committee on the Rights of the child at all levels;
- Raise capacity building on child protection programmes;
- Promote protection programmes;
- Educate the public and responsible personnel;
- Develop and establish a network amongst community (GO, NGOs and INGOs);
- Build a monitoring and indicator system;
- Evaluate protection programmes;
- Make assessment and analysis.

19 UNICEF has advocated that social protection should be included in the National Plan of Action for Children.

The National Plan of Action for Children identifies a number of activities under each strategy.

The social safety net within Myanmar is limited to:

- Payments from the Social Security Board under a variety of schemes, primarily for those in formal employment. They cover 600,000 beneficiaries at present and have a target to cover 1 million beneficiaries by 2015/16. According to available population statistics, this represents a current coverage of approximately 1% of the population. There is no systematic cash transfer programme beyond this.
- Payments from the Department of Social Welfare to support orphans, the elderly and the disabled.

7.3 Relative priority of social welfare spending

There doesn't seem to be in Myanmar any formal policy on sectoral allocation of budgetary resources. However, as for the health and education sectors, a key assessment of the real relative priority of education can be done by examining the amount allocated (and indeed the amount eventually spent), as a percentage of total budgetary expenditure, and as a percentage of GDP.

- as a percentage of total budgetary expenditures

In the Myanmar context, total budgetary expenditures exclude expenditures by State Economic Enterprises (SEEs) because these are in general more than covered by SEE Receipts. For the 2012/13 budget the total expenditure figures are as follows (the detail is in Annex 2):

Figure 20: Total social welfare expenditure by type in the FY 2012-13 Myanmar budget

Expenditure Type	Amount
	MMK million
Current	11,911
Capital	7,706
Financial (interest)	28
Total	19,645

Social welfare spending (as measured by allocation to the MoSWR&R), even after including relief and resettlement and the fire services department, amounts to only MMK19.6 billion, which is 0.29% of total spending on ministries and departments (MMK 6,833,362 million). From Annex 2 we can see that spending in the Ministry represents 0.33% of current expenditures on ministries and departments, and 0.25% of corresponding capital expenditures.

- as a percentage of GDP

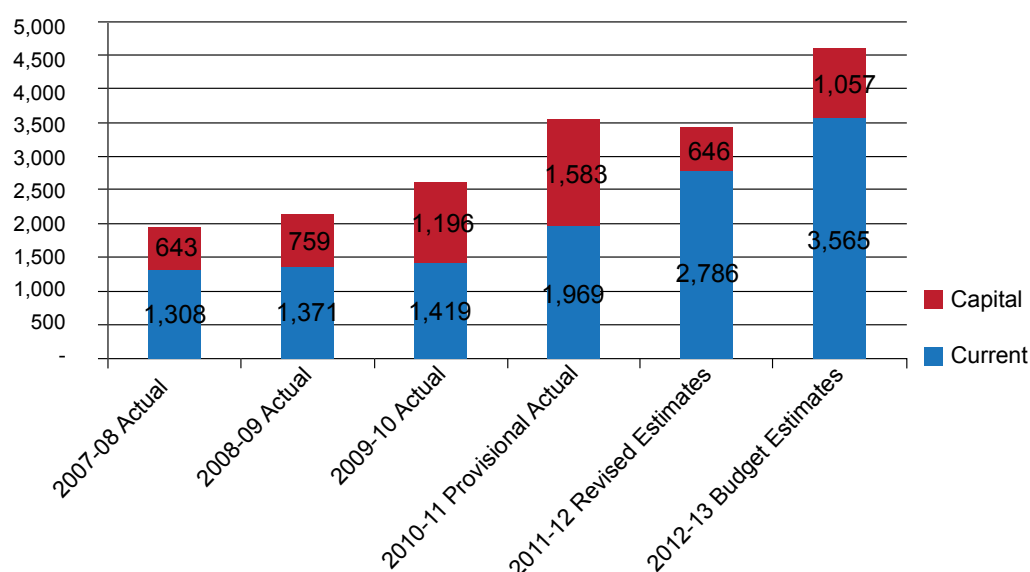
Budgeted GDP for 2012/13 is MMK51.38 trillion²⁰. Accordingly, the spending of the entire MoSWR&R as a percentage of GDP is very small, at 0.04%. Alone, the budget of the DSW is approximately one-hundredth of 1%: quite small by any measure.

Figure 21 shows the trend of combined (capital and current) budgets for the DSW from 2007-08 to 2012-13. In FY 2012-13 the combined capital and current budget has risen to MMK 4.62 billion from

20 Provided in a presentation entitled "Potential Financial Allocation for Social Protection in Myanmar" by Daw Nwe Nwe Win, Director, Budget Department, Ministry of Finance and Revenue

MMK 3.43 billion in FY 2011-12, an increase of 40%, well above the inflation rate of 5%. However, the increase is nothing like as dramatic as those seen in health and education.

Figure 21: DSW allocation in Myanmar for FY 2012-13 - capital & current - MMK million



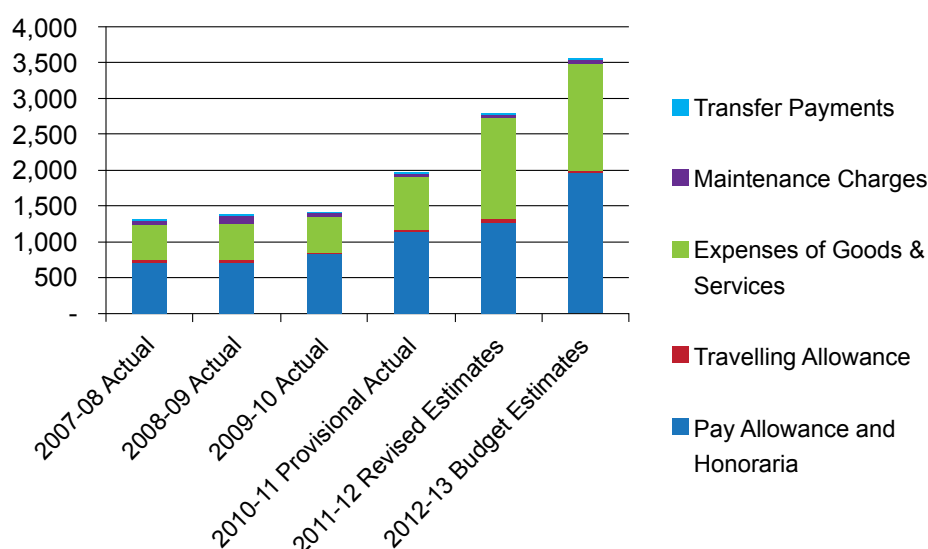
Source: MoFR. 2007-08 to 2010-11 actual; 2011-12 revised estimate; 2012-13 original estimate

7.4 Social welfare expenditures by economic classification

Figure 22 shows the expenditures of the DSW by the standard primary economic classifications of government.

From FY 2007-08 to FY 2012-13 salaries have risen from 45% to 58% of total current expenditures. The second major category of expenditure – goods & services – took from 35% to 51%.

Figure 22: Social welfare expenditures in Myanmar by economic classification



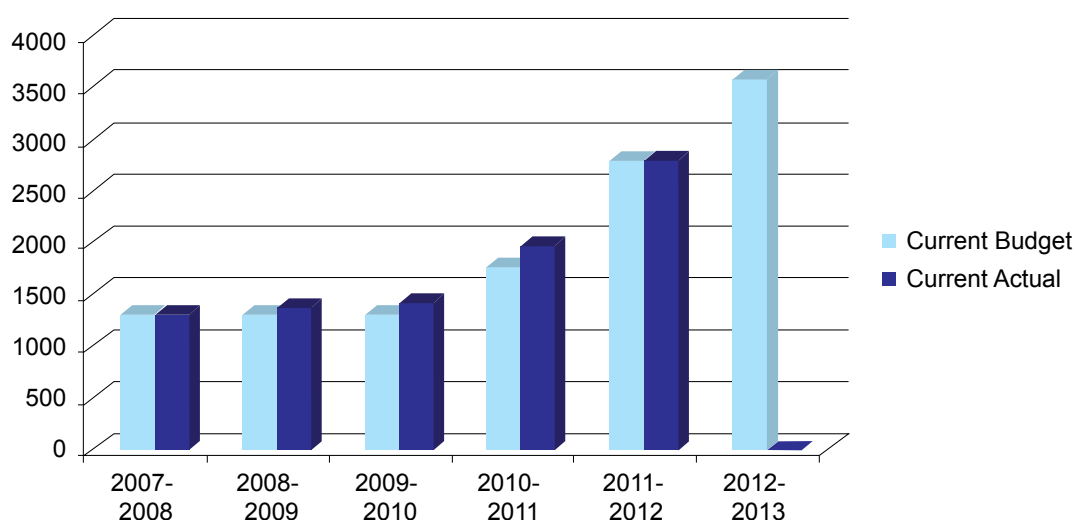
Source: MoFR. 2007-08 to 2010-11 actual; 2011-12 revised estimate; 2012-13 original estimate

The overall increase in the current budget is 28% against 2011-12, but is 81% against 2010-11. Most of the 2012-13 increase has gone to salaries, which rose by 54% (MMK 1.9 billion in 2012-13 vs MMK 1.26 billion in 2011-12). The budget for goods and services rose by only 5.5% (roughly in line with inflation) but had almost doubled in the prior year. In spite of the continuing spending on construction (see below) the maintenance budget is now only 2/3 of what it was in 2009-10.

7.5 Social welfare spending against budget (current)

Figure 23 shows current spending in the DSW against the revised budget.

Figure 23: Social welfare spending in Myanmar against budget



Source: MoFR. 2007-08 to 2010-11 actual; 2011-12 revised estimate; 2012-13 original estimate

In 2007-08 and 2011-12 spending was equal to budget but from 2008-09 to 2010-11 actual expenditure was in excess of budget. Since spending is restrained by inflexible budget-determined drawing limits, this can only have resulted from approved budgetary revisions or internal virements²¹. Since DSW is only a department, it can benefit (or suffer) from approved budgetary revisions within MoSWR&R.

7.6 Programmatic analysis of recurrent social welfare spending

A programmatic analysis of current social welfare expenditure was not possible due to a lack of access to more detailed budget information.

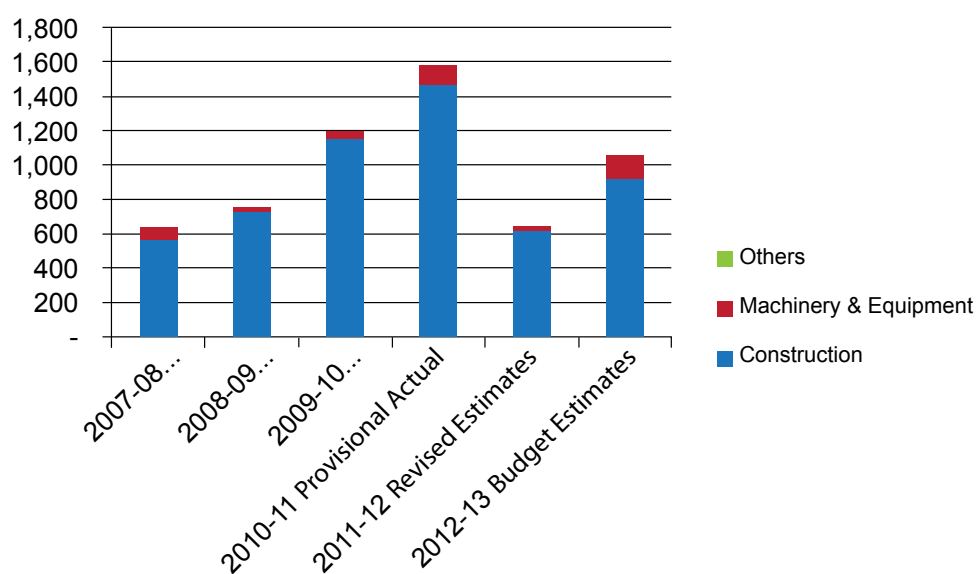
7.7 Programmatic analysis of capital social welfare spending

Figure 24 presents a breakdown of capital spending in the DSW from 2007-08 to 2012-13. In the nature of capital budgets it fluctuates over time.

Capital spending in DSW is overwhelmingly allocated to construction, comprising 95% of the total.

²¹ Reallocations, often internal, from one budget line to another, or from one agency to another

Figure 24: Capital spending of Myanmar DSW - MMK million



Source: MoFR. 2007-08 to 2010-11 actual; 2011-12 revised estimate; 2012-13 original estimate

7.8 Conclusions

The DSW has high relevance for children as the responsible agency for child protection within government and its support for early childhood development. Furthermore, it caters for all the forms of social protection addressed to various vulnerable groups.

The most striking aspect of this review is the very small amount of funds allocated to the Department. That, combined with its relatively low standing as a department within a wider ministry, contributes to a very low profile for social welfare spending. Advocacy effort must focus on raising both the profile of the department and its budget.

No comprehensive statement of social welfare policy has been seen, and it is understood one is being produced. There is certainly a major effort, facilitated by UNICEF, to develop clear policy on child protection. As a result of a major conference organised in June it was agreed to develop a social protection framework and proposed plans for introducing social transfers, including the possibility of child benefit. However, a clear statement of overall policy on social welfare, and the position of children within it, is vital to child-focused budgeting in this area.

Data limitations have prevented most budgetary analysis. That said, the current budget has increased by 40% in 2012-13 well above the rate of inflation, and the current budget has risen by 81% in two years. It is not clear to what extent this represents salary increases versus increases in goods or services, the latter tending to be more indicative of expansion of access to education. And as mentioned in Section 7.3, any evaluation of the increase must also take into account the recent exchange rate unification and its impacts on costs.

8 Equity: social sector spending by state or region, and special funds

The MICS and IHLCS household surveys have both indicated large and widespread social and economic disparities between various sub-populations in Myanmar – between states/provinces, between rural and urban areas, and between poor and rich families. One of the objectives of this report was also to assess whether social sector budgets were allocated equitably amongst regions and districts. Through examining whether budgetary provision for states and regions is equitable and adequate, budgetary analysis can play an important role in addressing such geographical disparities. To the extent that there is a strong spatial dimension to how ethnic groups are spread across the country, this approach is also supported by the revised Constitution of 2008 which states at Paragraph 22c that the state will promote socio-economic development including education, health, economy, transport and communication, so forth, of less-developed national races.

Unfortunately, budgetary data or historic expenditure data for the sub-national level was not made available by any of the ministries consulted. Use of formulas for allocation of resources to the sub-national level was also found to be minimal. The divisional Basic Education Office advised that it allocated money according to numbers of schools and school sizes, but that salaries were equalized because there was an effort to equalize the teacher-pupil ratio by re-locating teachers. They further advised that they did not determine budgets for individual schools or townships, but simply provided them with drawing limits equivalent to 80% of their expected expenditures with a plan to review the position again in December (9 months into the financial year), when they would be able to claim up to 20% more. The effect of this is likely to be incremental budgeting, rather than any strategic reallocation to support schools in poor areas or with specific challenges.

It is important to note that all three of the ministries reviewed here are centralized ministries. These ministries determine expenditures centrally, and do not allocate funds to regions and states ex ante, and there is therefore no regional resource allocation formula in place for any of the three ministries. However, the MoE indicated that they use a formula including numbers of classrooms and students to allocate funds on some budget lines. As a result of this, expenditures by state and region can only be known ex post, but this information was not made available to the authors of this review. Per capita expenditures by region or state cannot therefore be calculated for social sector spending.

For allocation of funds within the course of a financial year, different practices are in place in each ministry. DBE in Mandalay advised that they sanction sufficient operating costs to all regions and states up to December 31st (that is, for the first 9 months of the year) and review again close to that time before authorising a second tranche of sanctions for the remainder of the year. If a region or state wants to carry out an activity which requires non-routine expenditures, they apply to the relevant central level authorities for an additional sanction.

In FY 2012-13 all regions received a grant of MMK 1 billion for poverty reduction expenditures. Chin State received the grant plus an additional MMK 2 billion. This funding was provided as a special grant for projects identified by the Chief Minister. At the time of the writing of this report, this funding was relatively new, and none of the regional social sector ministries had been consulted on how to spend it. This seems to be a first attempt to develop some kind of block grant system to support the newly decentralized approach and in that respect is a welcome development. However, with the total amount

of funds allocated to ministries amounting to MMK 6,833 billion in FY 2012-13, the MMK 16 billion allocated to this exercise is a very small proportion of the total. It is just under a quarter of one per cent. Also, with the exception of the increased grant to Chin State, there has been no attempt to make this grant correspond to individual state or region characteristics such as population, remoteness, social disparities or poverty rates.

Finally, it is not clear how the spending under these grants will be monitored and reported. It is understood that Budget Department of MoFR will see the eventual disposition of spending, but it is unclear what central agency, if any, will evaluate the poverty focus of the projects put forward or whether these projects have been effectively completed.

9 Available information on social sector outputs

Information on outputs is essential for the assessment of efficiency of budgetary allocations. It was beyond the scope of this study to collect information on health or education outputs that would assist in assessing the efficiency of expenditure. This will require a separate study. There is some information available, especially on education (Union of Myanmar 2010(2), Union of Myanmar, 2012) and it is expected that this will be systematized in the Comprehensive Education Sector Review. In the health sector, there is extensive hospital data in the Annual Hospital Statistics Report (MoH, 2011 (2)) as well as in the Union of Myanmar Statistics.

10 Recommendations and way forward

Investing in the social sector for the wellbeing of the population of a country, and for the realisation of children's rights, is a primary responsibility of the government, as well as the coordination of development partners sustaining the social protection and human development agenda, in the best interest of families and children.

The major thrust of these recommendations is to propose a public agenda for strengthening the commitment to social investments, and expanding fiscal space; and within that to improve the allocation to - and the effectiveness of - the social sector budget, and thus ensure improved outcomes for children.

10.1 Recognising social investments as a factor of social stabilization and economic growth.

As repeatedly underlined in this report, the allocation of additional resources for social investments is related primarily to political will, and as a consequence to the expansion of fiscal space. Numerous analysis produced in various countries, and in particular related to the social consequences of the most recent global financial crisis, underline the need to invest in social services not only for the increased well-being for the population, but also as a determining factor of social stability and economic growth, especially in volatile economies. Social sector investments have a positive impact on employment, social cohesion and political legitimacy of the government. They translate into positive outcomes the social compact between the state and its citizens; they help stabilizing household income and demand, creating an enabling environment for development; and they reduce the mitigation costs of social problems— such as antisocial behaviors, delinquency, mental health problems.

10.2 Expanding fiscal space and social sector funding

Section 5 of this report demonstrated that government revenue is very low by regional standards, and this has caused expenditures on health, education and social welfare to be the lowest in the region, sometimes by a wide margin. Urgent action is needed to increase fiscal space through the raising of revenues and this should involve taxation effort as well as increased natural resource revenues²². This process appears to be well under way with the support of the IMF. The taxation effort should be one of progressive taxation that promotes equity and inclusive development: that is, high income individuals and organizations should be seen to have paid a higher proportion of their income in taxes than those in lower income brackets.

Increasing fiscal space through raising revenue is a pre-condition for the overall public sector deliveries and performance. However, it is equally important to assure effective allocation of funding to the social sector. For the realization of rights of all children, continual advocacy is required to ensure that health, education, social protection, social safety nets and child protection receive a share of that increased revenue, and the relevant ministries should take care to develop the strongest arguments for increased budgets. This may be done by reference to international norms, as well as by putting forward evidence-based plans for improving child and family wellbeing, with sound costing and measurable outputs where possible.

10.3 Making social sector spending more effective

Increased spending in the social sector is vital but will not automatically result in improved outcomes in the social sector. Attention to the efficiency of budget implementation in areas relevant to children's rights is also much needed, and this applies equally to capital and current budgets; and to allocative and operational efficiency. In practice this will require:

- that plans maximise the use of resources and avoid an emphasis on construction at the expense of better equipment, or better maintenance and rehabilitation of existing buildings; budgets provide a good balance of funding for salary and non-salary items so that staff can be productive;
- development of equitable resource allocation formulas and up-to-the-minute structures of poverty-sensitive intergovernmental fiscal transfers that offer the flexibility needed to address the needs of all sub-national units and the disparities that exist between children and families in different parts of the country;
- use of diagnostic tools including the Public Expenditure and Financial Accountability (PEFA) process, which is already on the agenda; Public Expenditure Reviews (already being proposed for education); Public Expenditure Tracking Surveys (possibly initially at Region or State level); Benefit-Incidence Analysis; and Service Delivery Surveys;
- review of organizational and budgetary structures in social sector ministries to ensure that departments and divisions are logically structured to reflect the primary activities of each ministry, and to raise the organizational and budgetary profile of key areas.

22 Although aid can also increase fiscal space and social spending, government should be prudent in taking on grants and loans from the donor community, especially where such grants and loans involve conditionalities or threaten to create aid dependency.

10.4 Improve linkages between policy, planning, budgets and outputs

It has already been mentioned in this paper that effective monitoring of budgets begins with policy and requires a clear and traceable continuum from policy themes to medium term and annual plans, to budgets and finally to outputs and outcomes. This continuum is equally relevant in tracking budgets for children's rights. It is clear from the thumbnail sector sketches at Sections 7, 8 and 9 of this report that the connections between these elements of the budget cycle are not in place in Myanmar, and there is a need to establish: greater clarity and consistency of policy; stronger links and common structures between policies and plans, and consistency of social sector planning between NPED and sector ministries; consistency and commonality of structure in plans and budgets, which requires adjusting plans after budget cutbacks; and clarity on the relationship between outputs and budgetary inputs. This will require better availability of information in all areas (see below). Some steps are already being taken in this direction in the proposals for a Medium Term Budget Framework and in the consideration of output-based budgeting.

10.5 Enhancing availability of data

There are two data availability issues: first there is data that is known to be available but which the social sector ministries do not easily share. Second, there is data that is simply not available.

Fortunately there is a lot of information that falls into the first category and this only requires an authorisation to be released. This data includes for both Capital and Current budgets:

1. Annual and 5 Year Plans –many are not yet complete, but will be vital for assessing the fit between plans and budgets
2. Budget data below departmental level: this includes budgets for all divisions and sub-divisions (Major Head, Minor Head and Attendant Minor Head) by primary and secondary economic classification.
3. Actual spending data for all divisions and sub-divisions by primary and secondary economic classification through in-year reports
4. Detail of the criteria used by social sector ministries to allocate funds to states, regions, districts and townships
5. Actual spending in each social sector ministry for states, regions, districts and townships
6. Audit reports relating to the social sector ministries

Where data is either not available or not thought to be available such as costs of specific activities, performance and output information, enquiries must be made as to what data does exist.

10.6 Promoting data publication and transparency

There are several advantages of increasing budget transparency; including building trust between government and citizens, strengthening democracy, helping the fight against corruption and ensuring that information is not reported incorrectly or out of context. In a fully transparent budget process, the following documents would be made available²³:

- Pre-budget Statement or Budget Strategy Document
- Executive's Budget Proposal
- Enacted Budget
- In-year Reports

23 These documents are recommended for release by the International Budget Partnership <http://internationalbudget.org/>

- Mid-Year Review
- Year-end Reports
- Audit Reports

Countries in the region such as Malaysia, Thailand, Vietnam, Mongolia and Indonesia typically release some or all of this information on their websites. Budgetary information in Myanmar could be released on the website of the Ministry of Finance and Revenue <http://www.mofr.gov.mm>.

10.7 Building local capacity

Building the capacity of parliamentarians and other national bodies with an interest in the realization of children's rights in child-focused budgeting and budgetary analysis (including an understanding of key diagnostic tools described above and an introduction to basic performance budgeting concepts such as output analysis) can contribute significantly to generating better outcomes for children. Special efforts should be made to engage interested parliamentarians in these areas in view of their clear interest and their ability to advocate for change through the democratic process.

10.8 Increasing awareness

In the context of a democratizing Myanmar, it would also be useful to improve public understanding of the linkage between the social sector budget and children's rights as well as the importance of the expansion of the fiscal space. The media can play an important role in generating and enhancing public awareness of the issue.

11 ANNEXES

1. Budget Structure and Budgeting Process
2. Consolidated National Budget 2012-13
3. Comparison of Health Policy Documents
4. Centralized and Decentralized Ministries and Departments
5. Detailed Description of Flow of Funds
6. References
7. List of Persons Consulted

Annex 1: Budget Structure and Budgeting Process

A5.1 Budget structure and Chart of Accounts

The budgetary system recognizes three categories of budget recipients:

- State Administrative Organs (SAOs) and Ministries and Departments (M&Ds)
- State Economic Enterprises (SEEs) and
- Cantonment Municipalities

This report is primarily concerned with Ministries and Departments because these are the institutions which deliver social services. Within each of these categories, three separate budget components are identified. These are:

- the Current budget – which sets out planned recurrent receipts and expenditures
- the Capital budget – which sets out planned capital receipts and expenditures, and
- the Financial budget – which sets out all planned interest expense, and other receipts and payments related to loan activity

In this report, only Current and Capital budgets are examined because, as visible in the consolidated budget for 2012-2013 in Annex 2, the Financial budget is of lesser significance in the social sectors.

Ministries comprise of several Departments. Each Department has a number of Divisions, and each Division has a number of Sub-divisions. The budget uses specialised terminology when referring to these entities, as follows:

Figure 25: Budget terminology in Myanmar - organizational

Entity	Corresponding budget terminology	Example
Ministry	Group Accounting Head	Ministry of Health
Department	Major Head	Department of Health
Division	Minor Head	Public Health
Sub-division	Attendant Minor Head	National Malaria Control Programme

A related set of terms for the economic classification of expenditures is shown in Figure 26.

Figure 26: Budget terminology in Myanmar – economic classification

Entity	Corresponding budget terminology	Example
Ministry/sector	Group Accounting Head	Health
Budget type	Attendant Group Accounting Head	Current, Capital or Financial
Primary economic classification	Sub Head	Pay, Allowances and Honoraria
Secondary economic classification	Primary Head	Allowances

Capital Budget

The capital budget consists of two parts: those expenditures which can be made in Kyats and those which will require foreign exchange. It is driven by the level of projects in ministries. Unlike the current budget, the capital budget is relatively volatile, does not necessarily increase year by year due to the uneven profile of construction projects, and can include a higher foreign exchange element. In response to specially designed investment forms, projects are submitted to MoNPED under three headings with sub-headings under each heading as follows:

Figure 27: Capital budget sub-divisions in Myanmar

Item	Sub-item
Construction	<ul style="list-style-type: none"> • New projects • Ongoing projects • Renovation works
Machinery and Equipment	<ul style="list-style-type: none"> • Machines • Spare Parts • Accessories • Office equipment
Other items	<ul style="list-style-type: none"> • Compensation • Expert fees • Custom clearance etc.

The approval process for the capital budget is extensive and involves many players, but essentially remains a top-down process. Completed investment forms with project details are returned to MoNPED by end December. The Finance and Investment Directorate in the Planning Department of MoNPED analyses the forms submitted and computes the aggregate amount in accordance with the three headings. The draft estimate is reviewed by the assessment committee which includes Ministers for Planning, Finance and Revenue, and Construction and Industry. They consider costs and benefits of proposed projects, availability of funds and foreign exchange requirements of the proposal. Ceilings for each ministry are decided by the assessment committee. Ministries are informed and then revise their estimates in a second draft which is again sent to MoNPED. Based on the estimates in this second

draft, MoNPED produces a further summary and submits to the two Vetting Committees (Construction Vetting and Machinery & Equipment Vetting Committee) headed by the respective Ministers. Members include engineers and professionals. At these Committees further assessments are made based on national requirements, budget availability, expected outcomes, cost and benefit ratio and price changes in international markets. After vetting some projects are postponed and some rejected. Again agencies revise their proposals in accordance with the vetted amount and return them to MoNPED. MoNPED then processes the proposals for a third time and computes the aggregate amount for the National Investment Plan which is then forwarded to the Decision Committee chaired by Prime Minister. Final approval and prioritization of projects rests with the Prime Minister but ordinarily he will only request slight changes and minor revision. Finally the proposals are forwarded to the Cabinet for approval. When the amount of the Capital Budget is settled at the Cabinet, it is the task of MoNPED to notify the agencies through the ministries to inform them of the timetable for commencing their projects.

A5.3 Sub-national systems – budget development

Under the Union Government are Regional and State Governments headed by Chief Ministers and they hold powers of administration. Autonomy is given to these sub-national governments to prepare Bills relating to regional plans, annual budget and taxation which are to be submitted to the Regional and State Hluttaw (Parliament) in accordance with the prescribed procedures.

In Financial Year 2011-2012 a Federal Budget system was introduced with the intention of transforming the old State Fund Account system to a new system of (1) Union Fund for the Central Government and (2) Regional Funds for the States and Regions²⁴. The Federal Budget system is now operational but is still very limited in terms of decentralizing resources as indicated at Section 6.3 above. Only thirteen ministries along with twenty eight agencies under their supervision are managed through State/Regional Governments, and this is mostly in larger ones like Yangon or Mandalay. Other States and Regions such as Chin, Kachin and Kayah have fewer regional ministries and agencies. Moreover, the thirteen ministries which have been decentralized are those with fewer agencies and functions.

It is unlikely that the new Federal Budget system has yet had much impact on the wellbeing of families and children. There are two reasons for this: first, because the proportions of the budget devolved to the regions is so small; and secondly, because there has been no structural change to resource allocation to enhance equity. Most regional allocations have only changed incrementally in relation to previous years and this is not enough to bring about a socially efficient allocation of funds.

The budgetary process for the States and Regions mirrors the Union process. Each department of each Ministry of the States and Regions compiles budgets of the agencies under its supervision (including its own budget) and submits the proposals to the Regional Budget Department. The Regional Budget Department compiles the budget proposal and puts it up to the Regional Budget Vetting Committee chaired by the Chief Minister of the respective State or Division. After discussion, which may result in compromise and adjustments, the revised budget submissions are sent to the Regional Hluttaw. At the

24 Unfortunately, for the first six months of FY 2011-2012, the procedure for utilization of the Regional Funds was not in place so the Union Fund was used for the Regional Government as well as Central (Union) budget. In the second six months, Regional Funds were set up and Regional Governments were able to access them.

Hluttaw session, the Bill is discussed and can be approved, refused or curtailed with the consent of the majority. After the Hluttaw passes the resolution, Chief Ministers of the respective regions sign and promulgate the Bill within seven days from the day of receipt to become a Law. At the same time a copy of the approved budget is sent to the Finance Commission, where Chiefs of the States/Regions are members for information.

Final budgetary allotments at sub-national level are carried out by the Decision Making Committee (DMC) of the Regional/State government, which is chaired by the Chief Minister. The Regional Minister of Planning & Finance is a member and the Head of the Regional Planning Office is the Secretary.

The DMC invites the Heads of the Departments in their State/ Region, studies the estimates of current expenditure and the proposed estimates of capital expenditure on projects as follows:

1. reviews the budget spending of the previous year
2. analyses and assesses both current and capital budget proposals
3. prioritizes the projects (carry-on projects are preferable)
4. sets allotment for departments and agencies under each ministry
5. breaks down the amount for Districts and Township level Offices

The process as laid out above is methodical but details are incomplete. In particular, the criteria by which new projects are selected are not made public, including the way in which social or other disparities are reflected in these criteria. This information will be critical to a complete assessment which is focused on realization of the rights of children.

A5.4 Sector budget decision making process

There were no specific policy guidelines for the social sector in the budget policy of the previous government (up to FY 2011-12). The budget allocation system was centralized and decisions were made at the top level by a Committee. This Committee was formed with ministers from the Ministry of National Planning & Economic Development, Ministry of Finance & Revenue, Ministry of Construction and Ministry of Industry.

After analysing and reviewing the proposals of budget estimates of the various ministries many times, they were finalized and settled by the Committee and then submitted to the Cabinet for approval. Prioritizing the projects was the responsibility of the Prime Minister and with the consensus of the Cabinet members the total budget amount was approved. The respective ministries were advised of their budget allocation in late March. Budget allotment within the ministry was always the duty of the Minister and the Departmental Heads.

A5.5 Flow of funds

The system under which funds are provided to government institutions is critically important for service delivery. Key factors include: whether funds provided in the budget are fully disbursed; whether those funds are disbursed in a timely manner; and whether funds reach down to the service delivery level or are “captured” at higher levels for other purposes. Closely allied to the systems for disbursing budgets are the systems for financial reporting which show the disposition of funds for service delivery. A full

understanding of how funds flow in the Ministries of Health, Education and Social Welfare, Relief and Resettlement, is necessary to identify areas where social sector outcomes may be improved with existing budgetary resources.

The flow of funds in Myanmar is outlined in detail in Annex 5 of this report. Essentially, the flow of funds from Ministry of Finance is through two government owned banks: the Central Bank of Myanmar (CBM) which operates at central level only; and the Myanmar Economic Bank (MEB) which operates through the country and provides a retail banking service to government bodies such as ministries, departments and SEEs.

Government bodies do not hold positive bank balances, but rather funds allocated to the different levels are virtual funds. In line with many other public disbursement systems, Myanmar government agencies are provided with drawing limits, giving them rights to spend up to a certain level.

For those ministries and departments which have been decentralized from FY 2011-12, the funding system is slightly different. However, for centralized departments (which include all ministries with which this report is concerned – Health, Education and Social Welfare, Relief and Resettlement) the MoFR allots funds only to the Ministry HQ, which can then authorize allocations to subnational levels. The subnational offices of these ministries have no budgetary entitlements of their own, but they apply for, and are allocated, drawing limits as the year progresses. The Central HQ allocates directly both to its state/regional divisions and to its township departments.

In decentralized ministries, MoFR provides funds to the Ministry HQ, but funds for any sub-national activity are provided to State/Regional Governments, which then allocate sanctions to the Regional and Township offices according to the Regional Budget.

There are effectively two parallel streams of financial reporting. Formal financial reports are made by the spending agencies. There are delays which can sometimes be more than a month in arrears, with the potential of undermining budget monitoring activity. At the same time the MEB reports spending from its bank records (which are slightly different from the Ministry record because of timing differences) and these reports are passed back up through banking systems until they reach the Central Bank of Myanmar. Budget Division compares the two sets of records. Annex 2: Consolidated National Budget 2012-13 – Ministries & Departments

Annex 2: Consolidated National Budget 2012-13 – Ministries & Departments

Consolidated National Budget Ministries & Departments	MMK millions	Receipts						Expenditures					
		Current			Capital			Total			Current		
		Current	Capital	Grant	Loan	Total	%of total	Capital	%of total	Financial	%of total	Total % of total	Total % of total
State Organs	68					68	1.06	426,035	13.64	-	-	463,998	6.79
Home Affairs	3,638					3,638	2.71	54,003	1.73	-	-	150,799	2.21
Defence	75,619					75,619	24.19	1,111,949	35.62	-	-	1,977,412	28.94
Development of Border Areas and National Races	45					45	0.44	61,147	1.96	662	0.50	77,602	1.14
Foreign Affairs	794					794	0.81	12,027	0.39	-	-	40,997	0.60
Information	3,520	2,167				5,687	0.32	21,429	0.69	-	-	32,924	0.48
Culture	1,285	2,000				3,285	0.10	2,630	0.08	-	-	6,135	0.09
Agriculture & Irrigation	27,366	203			11,274	38,843	4.94	193,917	6.21	3,933	2.95	374,644	5.48
Religious Affairs	52					52	0.17	422	0.01	-	-	6,400	0.09
Co-operative	231					231	0.03	121	-	1,971	1.48	3,222	0.05
Livestock breeding & fisheries	1,090					1,090	0.12	587	0.02	-	-	4,842	0.07
Industry	3,927					3,927	0.15	171	0.01	-	-	5,427	0.08
Rail Transportation	3,880					3,880	0.10	1,405	0.04	-	-	5,002	0.07
Mines	1,017					1,017	0.07	363	0.01	-	-	2,865	0.04
Construction	15,534	100				15,634	3.26	243,642	7.80	-	-	360,361	5.27
Finance & Revenue	11,300				4,277	15,577	19.21	1,169	0.04	20,788	15.59	709,491	10.38
Electric Power (1)	1,360				73,688	75,048	0.62	190,795	6.11	65,363	49.00	278,160	4.07
National Planning & Economic Development	3,097	250				3,347	0.28	26,184	0.84	-	-	36,282	0.53
Labour	50					50	0.07	191	0.01	-	-	2,658	0.04

	Receipts					Expenditures							
	Current	Capital	Grant	Loan	Total	Current	%of total	Capital	%of total	Financial	%of total	Total % of total	
Social Welfare Relief & Resettlement	66				66	11,911	0.33	7,706	0.25	28	0.02	19,645	0.29
	62,831			18,990	81,821	9,541	0.27	19,569	0.63		-	29,110	0.43
	200				200	357	0.01	371	0.01		-	728	0.01
					-	309	0.01	1	-		-	310	-
Immigration & Population	5,882				5,882	9,879	0.28	1,084	0.03		-	10,963	0.16
Science & Technology	296	5	90		391	9,878	0.28	12,003	0.38		-	21,881	0.32
Environment Conservation & Forestry	315		628		943	9,312	0.26	3,241	0.10		-	12,553	0.18
Electric Power (2)					-	311	0.01	29	-		-	340	-
Commerce	2,819	5,000			7,819	3,430	0.10	1,201	0.04		-	4,631	0.07
Hotels & Tourism	4,062				4,062	490	0.01	40	-		-	530	0.01
Sports	29		5		34	6,664	0.19	306,697	9.82		-	313,361	4.59
Education	10,944		2,870		13,814	543,016	15.17	209,050	6.69		-	752,066	11.01
Health	11,074	2	12,037		23,113	178,662	4.99	213,535	6.84		-	392,197	5.74
Pensions & Gratuities	5				5	253,904	7.10		-		-	253,904	3.72
Gratuities					-	27,061	0.76		-		-	27,061	0.40
Reserve Fund					-	100,000	2.80		-		-	100,000	1.46
Contributions to States & Divisions					-	314,224	8.78		-		-	314,224	4.60
Loans to States & Divisions					-				-	40,637	30.46	40,637	0.59
	252,396	9,727	15,630	108,229	385,982	3,577,266	100.00	3,122,714	100.00	133,382	100.00	6,833,362	100.00

Annex 3: Comparison of Health Policy 1993, Health Vision 2030 and Health Plan 2011-16

Health Policy 1993	Health Vision 2030	Health Plan 2011-16
<ul style="list-style-type: none"> To raise the level of health of the country and promote the physical and mental wellbeing of the people with the objective of achieving "Health for all" goal, using primary health care approach. To expand the health service activities not only to rural but also to border areas so as to meet the overall health needs of the country. 	<ul style="list-style-type: none"> To uplift the health status of the people To ensure universal coverage of health services for the entire nation 	To ensure quality health services are accessible equitably to all citizens
To follow the guidelines of the population policy formulated in the country.		
To produce sufficient as well as efficient human resource for health locally in the context of broad frame work of long term health development plan.	To train and produce all categories of human resources for health within the country	To plan and training human resources for health as required according to types of health care services in such a way to ensure balance and harmony between production and utilisation
To strictly abide by the rules and regulations mentioned in the drug laws and by-laws which are promulgated in the country.		
To explore and develop alternative health care financing system.		
To implement health activities in close collaboration and also in an integrated manner with related ministries.		
To promulgate new rules and regulations in accord with the prevailing health and health related conditions as and when necessary.		To continuously review, assess and provide advice, to ensure that existing health laws are practical, and relevant to changing situations, and to developing new laws as required
To intensify and expand environmental health activities including prevention and control of air and water pollution.		To take supervisory and control measures to ensure public can consume and use food, water and drink, medicines, cosmetics and household materials safely
To promote national physical fitness through the expansion of sports and physical education activities by encouraging community participation, supporting outstanding athletes and reviving traditional sports.		

Health Policy 1993	Health Vision 2030	Health Plan 2011-16
To encourage conduct of medical research activities not only on prevailing health problems but also giving due attention in conducting health system research.	To develop medical research and health research up to the international standard	To promote in balance and harmoniously, basic research, applied research and health policy and health systems research and to ensure utilisation as a priority measure
To foresee any emerging health problem that poses a threat to the health and wellbeing of the people of Myanmar, so that preventive and curative measures can be initiated.	To foresee emerging diseases and potential health problems and make necessary arrangements for their control	
To reinforce the service and research activities of indigenous medicine to international level and to involve in community health care activities.	To modernise Myanmar traditional medicine and to encourage more extensive utilisation	To intensify measures for development of traditional medicine
<ul style="list-style-type: none"> To strengthen collaboration with other countries for national health development. To augment the role of co-operative, joint ventures, private sectors and non-governmental organizations in delivering of health care in view of the changing economic system. 		In addition to providing health services, to promote collaboration with local and international partners including health-related organizations and private sector in accordance with policy, law and rules existing in the country for raising the health status of the people
	To make communicable diseases no longer public health problems, aiming towards total eradication or elimination and also to reduce the magnitude of other health problems	To prevent and alleviate public health problems through measures encompassing preparedness and control activities
	To ensure availability in sufficient quantity of quality essential medicine and traditional medicine within the country	To make quality basic and essential medicines, vaccines and traditional medicine available adequately
	To develop a health system in keeping with changing political, economic, social and environmental situation, and changing technology	
		To enable the people to be aware and follow behaviours conducive to health
		To ensure quality health care for citizens by improving quality of curative services as a priority measure, and strengthening measures for disability prevention and rehabilitation
		To provide valid and complete health information to end users, using modern information and communication technologies

Annex 4: Centralized and Decentralized Ministries and Departments

Budget allocation directly from central budget

- 1 Ministry of Defence
- 2 Ministry of Foreign Affairs
- 3 Ministry of Immigration and Population
- 4 Ministry of Education
- 5 Ministry of Health
- 6 Ministry of Social Welfare, Relief and Resettlement
- 7 Ministry of Science and Technology
- 8 Ministry of Culture
- 9 Ministry of Order Affairs
- 10 Ministry of Religious Affairs
- 11 Ministry of Industry
- 12 Ministry of Energy
- 13 Ministry of Electric Power
- 14 Ministry of Commerce
- 15 Ministry of Transport
- 16 Ministry of Rail Transport
- 17 Ministry of Posts and Telecommunications
- 18 Ministry of Hotels and Tourism

Budget allocation from Regional Government

- 1 Ministry of Home Affairs
- 2 Ministry of National Planning and Economic Development
- 3 Ministry of Finance and Revenue
- 4 Ministry of Agriculture and Irrigation
- 5 Ministry of Environmental Conservation and Forestry
- 6 Ministry of Livestock and Fisheries
- 7 Ministry of Construction
- 8 Ministry of Labour
- 9 Ministry of Sports
- 10 Ministry of Information
- 11 Ministry of Mines
- 12 Ministry of Cooperatives
- 13 Municipalities

Annex 5: Detailed Description of Flow of Funds

1. Flow of funds

The system under which funds are provided to government institutions is critically important for social sector service delivery. Key factors include: whether funds provided in the budget are fully disbursed; whether those funds are disbursed in a timely manner; and whether funds reach down to the service delivery level or are “captured” at higher levels for other purposes. Closely allied to the systems for disbursing budgets are the systems for financial reporting which show the disposition of funds for service delivery. A full understanding of how funds flow in the social sector ministries of Health, Education and Social Welfare Relief and Resettlement, is necessary to identify areas where outcomes may be improved with existing budgetary resources.

The flow of funds from Ministry of Finance is through two government owned banks: the Central Bank of Myanmar (CBM) which operates at central level only; and the Myanmar Economic Bank (MEB) which operates through the country and provides a retail banking service to government entities.

Government entities (e.g. ministries, departments, SEEs) access funds through the State Fund Account (SFA) which is managed by the CBM. Under the SFA, funds are allocated to each organization according to its allotted budget (its sanction) and credited to agency accounts held at MEB. All government agencies at all levels hold such an “MD” account with the MEB through which they can settle their expenditure. Each agency at each level applies periodically (usually quarterly) for an allotment of sanction from its central HQ. This drawing limit enables it to spend an agreed amount from its allotment.

Each agency has a number of budget lines in the overall budget from which they can draw funds. Budget allocations are credited to MD accounts when an agency applies to MEB to do so by submitting a letter of sanction from MoFR. MoFR also notifies budget allocations to MEB by sending a copy of the sanctions. Funds are available on a quarterly basis but quarterly quotas are flexible and can be extended if necessary within the allocation limit of the financial year.

When government organizations earn revenue they are required to deposit it to their account at MEB, and it is not generally available for meeting operating expenditures. However, there are exceptions to this. The Department of Social Welfare reported that it was able to retain pre-school PTA fees.

All receipts and payments of the MEB Ministries & Departments accounts (as well as the MEB SEE accounts) are settled through the SFA account at the Central Bank of Myanmar (CBM). Debit balances on the SFA Account in CBM are financed by periodic issues of Treasury Bonds or Treasury Bills. Credit balances are used to redeem Treasury debt.

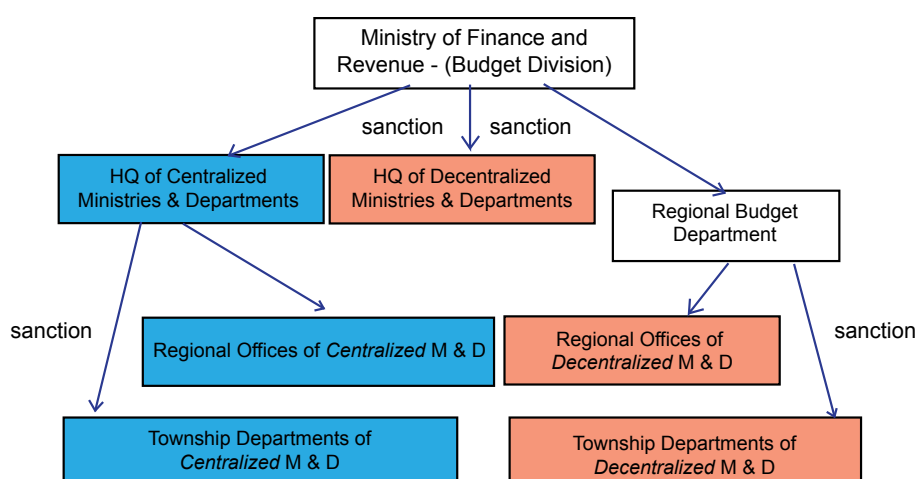
The flow of funds or more correctly, sanctions and drawing limits, differs between those Ministries and Departments which remain centralized, and those decentralized Ministries and Departments whose subnational activities are financed by Regional Government budgets which flow through Regional Governments and are monitored by them.

For Centralized Departments (which include all ministries with which this report is concerned – Health, Education and Social Welfare, Relief and Resettlement) the MoFR allots funds only to the Ministry HQ. From that point, all allocations to subnational levels, that is all subnational sanctions, are authorized by the Ministry HQ. The subnational offices of these ministries have no budgetary entitlements of their own, but they apply for, and are allocated, sanctions and drawing limits as the year progresses. The Central HQ allocates directly both to its regional divisions and to its township departments. The three social sector ministries reviewed in this report are all centralized ministries and follow this procedure.

Some minor ministries operate through a decentralized structure shown in pink in Figure 28. In these ministries MoFR provides funds to the Ministry HQ, but funds for any sub-national activity are provided to the regional Budget Departments. The Regional Budget Department then allocates sanctions to the Regional and Township offices of those ministries according to the Regional Budget. None of the key social sector ministries receives funds in this way.

Annex 4 of this report lists those ministries which are centralized and those which are decentralized.

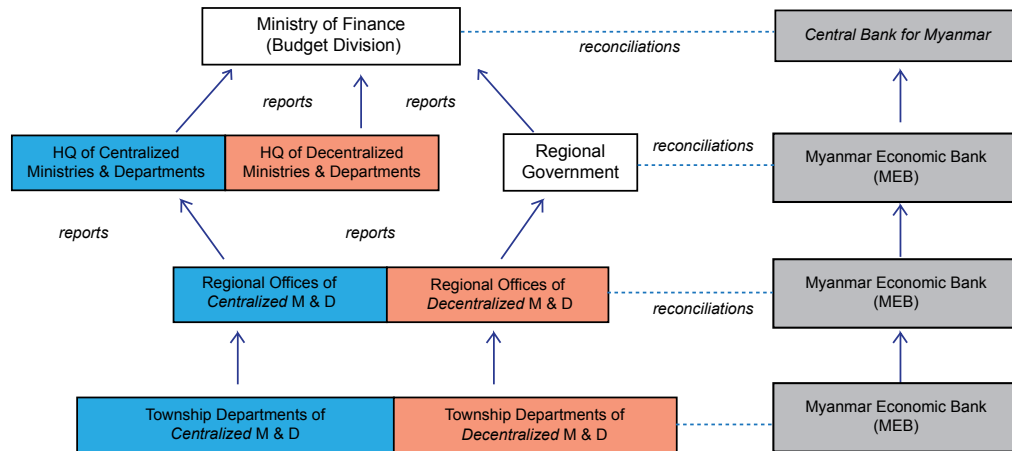
Figure 28: Funding flow in Myanmar



2. Central systems – financial reporting

Financial Reporting routes are indicated in Figure 29 below. There are effectively two parallel streams of financial reporting. Formal financial reports are made by the spending agencies. There are delays which can sometimes be more than a month in arrear, with the potential of undermining budget monitoring activity. At the same time the MEB reports spending from its bank records (which are slightly different from the Ministry record because of timing differences) and these reports are passed back up through banking systems until they reach the Central Bank of Myanmar. Budget Division compares the two sets of records.

Figure 29: Financial reporting in Myanmar



3. Sub-national systems– flow of funds

There is little fiscal decentralisation and at sub-national level the great majority of expenditures are financed by budgetary allocations from central ministries rather than by intergovernmental fiscal transfers. Although revenues are received, and payments are made, at central, regional and township levels, control of budgets continues to be centralized.

Like Central Ministries, Regional Governments receive a budget authorization directly from MoFR to cover the annual budget allocation for all ministries operating under the Regional Government. They allocate this authorization in line with their budget through the Regional Budget Department.

There are no significant inter-government fiscal transfers as such, but the allotments, mentioned above, are the only source of funds for various sectors/agencies/institutions, except for the new (relative modest) grants to the states/regions (which are outside of the assembly-approved budget). Furthermore there is no system of cross- sectoral prioritization or of effective re-allocations during the fiscal year at the township or district level.

In flow of funds the Sub-national System is the same as the Central system. According to the States/ division budget bill approved by the states/divisions Hluttaw the Budget Department of the budget department on behalf of the MoFR allocates to respective ministry, Departments and SEEs by issuing a sanction to the respective agency as well as to the MEB. In this regards, the agency can open an MD or SEE account at every level. Budget allocation is a drawing limit of the agency for the fiscal year. The drawing limit for the whole year is split into quarterly basic which is flexible to adjust or increase within the allocation of the year. The agencies can withdraw from the account for the expenditure incurred or put into the account for the receipts generated during the fiscal year.

4. Sub-national systems– financial reporting

Sub-national financial reporting is almost the same as for the central system from the township level to the head offices (departmental level) where they are in the States and Divisions along with the respective Ministry. The head office compiles the financial report and forwards the report to the Regional Budget Department. The Regional Budget Department sends the financial reports to the Budget Department of the central government on a monthly basis. The MoFR Budget Department consolidates the Regional Budget monthly.

The other route of financial reporting through MEB is a little different to the central financial reporting system. MEB branches forward the financial reports to the respective Regional Budget Department after closing monthly accounts. Regional Budget Departments forward the reports to the MoFR Budget Department on a monthly basis. Central Budget Department arranges for financing of Regional Funds by informing CBM appropriately.

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Annex 7: List of Persons Consulted

Name	Title	Organization
Education		
U Myo Nyunt	Director General	Department of Basic Education, Mandalay
Dr. Myo Thein Gyi	Officiating Director General	Department of Basic Education, Yangon
U Ko Lay Win	Deputy Director	Department of Education, Planning and Training
U Ko Ko Tin	Deputy Director General	Department of Educational Planning and Training, MoE
U Bo Win	Director General	Department of Educational Planning and Training, MoE
Health		
Dr. Myint Myint Than	Deputy Director (WCHD)	Department of Health
Daw Htay Htay Win	Deputy Director General	Department of Health Planning
Dr. Min Than Nyunt	Director General	Department of Health, MoH
Social Welfare		
U Aung Kyaw Moe	Director	Department of Social Welfare
Daw Mya Mya Sein	Assistant Director	Department of Social Welfare
Daw Khin San Yee	Assistant Director	Department of Social Welfare
Daw Thein Thein Myint	Assistant Director	Department of Social Welfare
Daw Le Yin Win	Assistant Director	Department of Social Welfare
U Kyaw Linn Htin	Staff Officer	Department of Social Welfare
Budget		
Daw Nwe Nwe Win	Director	Department of Budget
Planning		
Daw Ohn Mar Aye	Assistant Director	Planning Department
Daw Thway Thway Chit	Director	Planning Department
Daw Swe Swe Thein	Director	Planning Department
Daw Mya Mya San	Director	Divisional Planning Department, Mandalay
U Myo Nyunt	Director	Divisional Planning Department, Yangon
U Soe Myint	Deputy Director	Divisional Planning Department, Yangon
Daw Khin Hla Hla	Deputy Director	Divisional Planning Department, Yangon
Daw Soe Sint Win	Assistant Director	Divisional Planning Department, Yangon
Daw Khin Soe Aung	Assistant Director	Divisional Planning Department, Yangon
U Khiang Soe	Programme Officer	Divisional Planning Department, Yangon
U Aung Tun Khaing	Deputy Director General	Ministry of Social welfare, Relief and Resettlement

Human Rights Commission

U Win Mra	Chairman	MNHRC
U Khin Maung Lay	Member	MNHRC
U Sit Myaing	Secretary	MNHRC
U Hla Myint	Member	MNHRC
Dr Nyan Zaw	Member	MNHRC
Daw San San	Member	MNHRC

Social Security Board

U Yu Lwin Aung	Chair	Social Security Board, Ministry of Labour
U Tun Than	Deputy General Manager	Social Security Board, Ministry of Labour

UMFCCI

U Win Aung	President	UMFCCI
U Soe Moe Naing		UMFCCI
Daw Thuzar Kwe	Executive Officer	UMFCCI
Dr. Myo Thant	Central Executive Committee Member	UMFCCI
U Aung Lwin	Vice President,	UMFCCI
Dr MyoThet	Secretary General,	UMFCCI

UNICEF

Ramesh Shrestha	Representative	UNICEF
Ms. Juanita Vasquez	Deputy Representative	UNICEF
Mr Mharajan Muthu	Chief, HIV/AIDS	UNICEF
U KyawThaung	Resident Programme Officer, Mandalay	UNICEF
Niki Abrishamian	Chief, Education	UNICEF
Yoshimi Nishino	Chief, Social Policy	SPME, UNICEF
Daw Gillian San San Aye	Knowledge Management Officer	SPME, UNICEF
U Khaing Soe	M&E Specialist	SPME, UNICEF
Mona Korsgard	M&E Specialist	SPME, UNICEF
Pwint Mon Shwe Win	Programme Assistant	SPME, UNICEF
U KyawThaung	Resident Programme Officer, Mandalay	UNICEF

Other

Dr Shakil Ahmed	Consultant	Nossal Institute for Global Health
Daw ThidaTun	Deputy Director General	Parliament Office
Daw Wah Wah Htun	President	MWEA



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