

REPUBLIC OF THE UNION OF MYANMAR
MINISTRY OF PLANNING AND FINANCE
BUDGET DEPARTMENT



FISCAL POLICY STATEMENT
2023-2024 FISCAL YEAR

22-6-2023

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Introduction

1. Fiscal Policy Statement is prepared to explain the process of improving fiscal transparency, government priorities, effective management of public financial management to implement the political, economic and social objectives of the government and the implementation of fiscal policy, revenue, expenditure and domestic and external debt conditions.

Purpose

2. In 2023-2024 fiscal year, to increase spending on education and health, to increase social protection programs; to fully implement the targeted revenues and expenses during the financial year; to be able to carry out the use of funds in an orderly manner and to meet the targets of the departments and organizations, to achieve the policy goals of the national government in order to carry out public financial management more efficiently and effectively; to make the public financial management system effective and to ensure fiscal transparency.

2023-2024 Fiscal Policy

3. In 2023-2024 fiscal year, the amount of revenue is less than the amount of expenditure, and the deficit budget occurs. In order to mitigate the negative effects of covid-19 pandemic and economic growth and to speed up the recovery of Myanmar's economy, the expansionary fiscal policy will be applied to increase the total demand by tax reliefs and to increase aggregate demand by spending more on government expenditures. Improving manufacturing by increasing spending, improving domestic consumption, creating employment opportunities and receiving benefits such as improving trade in goods, and to stimulate the economy with the leadership of the government for the recovery of the country's economy. Government will increase expenditures by prioritizing productive expenditures and reducing nonproductive expenditures.

2023-2024 Expenditure Policy

Current Expenditure Policy

1. The number of people who can be appointed in accordance with the policy established by the state for the appointment of new personnel is to carry out a detailed calculation of the period of time that can be appointed;
2. To use administrative fuel, commercial fuel within the budget estimate
3. To increase spending on domestic production to replace imports and promote exports.
4. To increase expenditure on the development of a health system for the whole nation and expenditure related to the improvement of the comprehensive education sector.

Capital Expenditure Policy

1. Building a new office; office expansion; building a training school; construction of employee housing within minimum requirements.
2. To carry out the purchase of office furniture, office equipment with minimum requirements.

3. To prioritize spending on domestic production to replace imports and promote exports.
4. To prioritize expenditure on hospital, school, university and vocational school

Debt Expenditure Policy

1. To prioritize interests and principal to be repaid during the year
2. To target only loans that have already been obtained or are certain to be obtained;
3. To choose only affordable loans;
4. To obtain a loan in cash and to the repayment of loans only with the money collected from those loans;

Brief presentation of the State's Economic Situation

4. According to 2020-2021 fiscal year (actual), the deficit to GDP ratio was 7.6 percent, and the economic growth rate was expected to be 6.0 percent. At the end of the year, deficit to GDP ratio was 7.6 percent and the economic growth rate decreased to -5.9 percent; although declining foreign exchange rate; high inflation; private investment has declined significantly, this is due to the increasing unemployment, decrease in revenue, high fiscal deficit, decrease in foreign deficit financing and the increase in domestic debt.

5. From 2021 October to 2022 March (Provisional Actual), the deficit-to-GDP ratio was 2.2 percent, and the economic growth rate was targeted at 3.8 percent, however, the year-end forecast's deficit to GDP ratio was 2.2 percent and the economic growth rate was 2.4 percent. Although energy and mining sectors are recovering and stabilization of the manufacturing and service sectors and the growth of garment and natural gas exports, a significant increase in non-tax revenues and a decrease in the budget deficit due to improved revenue collection, this is because of a weakening of foreign investment and significant increase in agricultural production prices, limited benefits for farmers and the construction sector being instable.

6. According to 2022-2023 fiscal year (revised budget), the deficit to GDP ratio was 6.4 percent. At the end of the year, deficit to GDP ratio was 3.0 percent and the economic growth rate was 3.4 percent. Despite of declining in electricity production, depreciation of the currency due to rising global commodity prices and the increase in import costs due to logistical constraints, the real income of households has decreased, and despite increasing inflation and increasing fiscal deficit according to the revised budget, the change in exchange rate policy and the potential for the foreign exchange rate to stabilize and trade to be resilient.

Table (1) Summary of Economic Condition from 2020-2021 FY to 2022-2023 FY

	2020-2021	2021-2022(6)month		2022-2023
	Actual	Projection	Estimated Yearly End	Estimated Yearly End
GDP (Billion kyats)	108,205.7	74,893.2	75,044.7	125,339.0
GDP Growth Rate	(5.9)	3.8	2.4	3.4

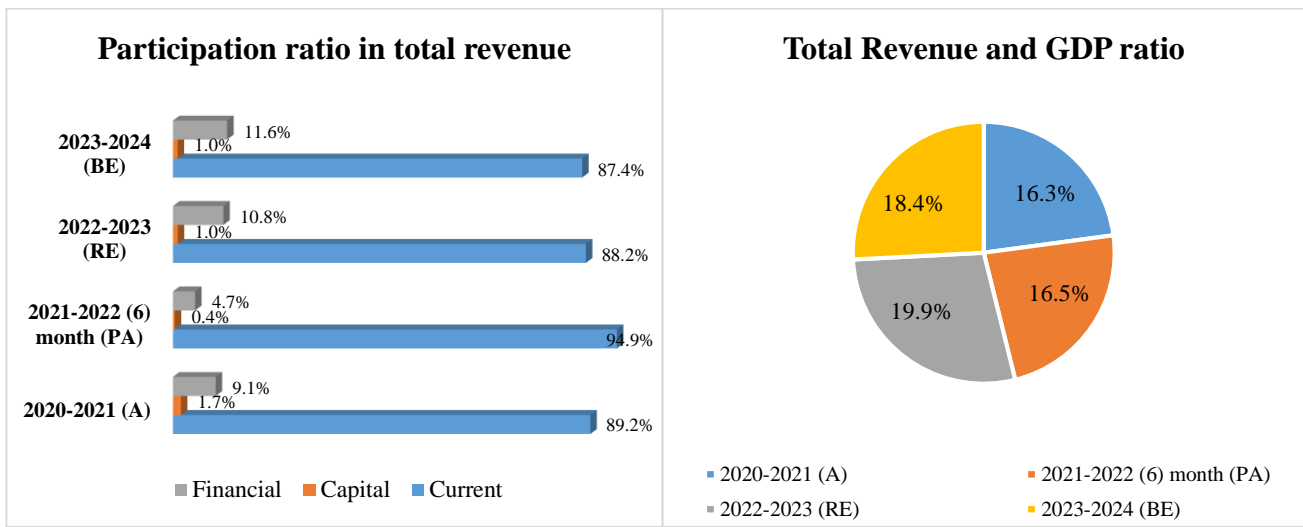
Average Inflation Rate	3.5	6.7	14.6	24.4
Export (US\$ in millions)	15,363.3	8,200	8,308.4	16,620.2
Import (US\$ in millions)	14,686.1	8,800	7,965.0	17,352.7
Trade Deficit/ Surplus (US \$ in millions)	677.2	(600)	343.4	(732.5)

Source: Planning Department, Central Statistics Organization, Citizen Budget

Fiscal Performance of Previous Years

(a) Revenue Analysis

Figure (1) Participation ratio in total revenue and Total Revenue and GDP ratio from 2020-2021 FY to 2022-2023 FY



Source: Budget Department

7. According to 2020-2021 Fiscal Year (Actual), 2021-2022 (6) month fiscal year (provisional actual) and 2022-2023 Fiscal Year (Revised Estimate), the ratio of total revenue to GDP is 16.3%. 16.5% and 19.9%, and the ratio of tax revenue to GDP is 5.1%; 4.9% and 6.0% respectively. 31.2%, 29.4% and 30.2% of tax revenue in current revenue, 8.0%, 8.4% ,9.5% of revenue from state-owned enterprises contribution (income contributed to the state) and other income are 4.9%; 4.0% 3.4% respectively.

Table (2) Percentage composition of Administrative Organization, Ministries and Department (AO, M&D) and State Economic Enterprises (SEEs) in total revenue

	2020-2021 (A)		2021-2022 6 month (PA)		2022-2023 (RE)	
	AO, M&D	SEEs	AO, M&D	SEEs	AO, M&D	SEEs
Current Revenue	44.1%	45.0%	41.8%	53.1%	43.0%	45.2%
Capital Revenue	1.4%	0.4%	0.4%	0.0%	0.9%	0.1%
Financial Revenue	7.4%	1.7%	2.5%	2.2%	7.4%	3.4%
Total Revenue	52.9%	47.1%	44.7%	55.3%	51.3%	48.7%

Source: Budget Department

Note: AO – Administrative Organization, M&D – Ministries & Departments, SEEs – State Economic Enterprises

8. The ratio of total revenue to GDP in three (3) fiscal years, including the interim fiscal year, is 16.3%. 16.5% and 19.9% in total revenue to GDP ratio and the ratio of tax revenue to GDP is 5.1%. 4.9% and 6.0%. Current revenue is 89.2%, 94.9% and 88.2% of the total income. Capital revenue is 1.7%, 0.4% and 1.0%. Debt revenue is 9.1%, 4.7% and 10.8%.

Table (3) Percentage composition of Union and State/Region in total revenue

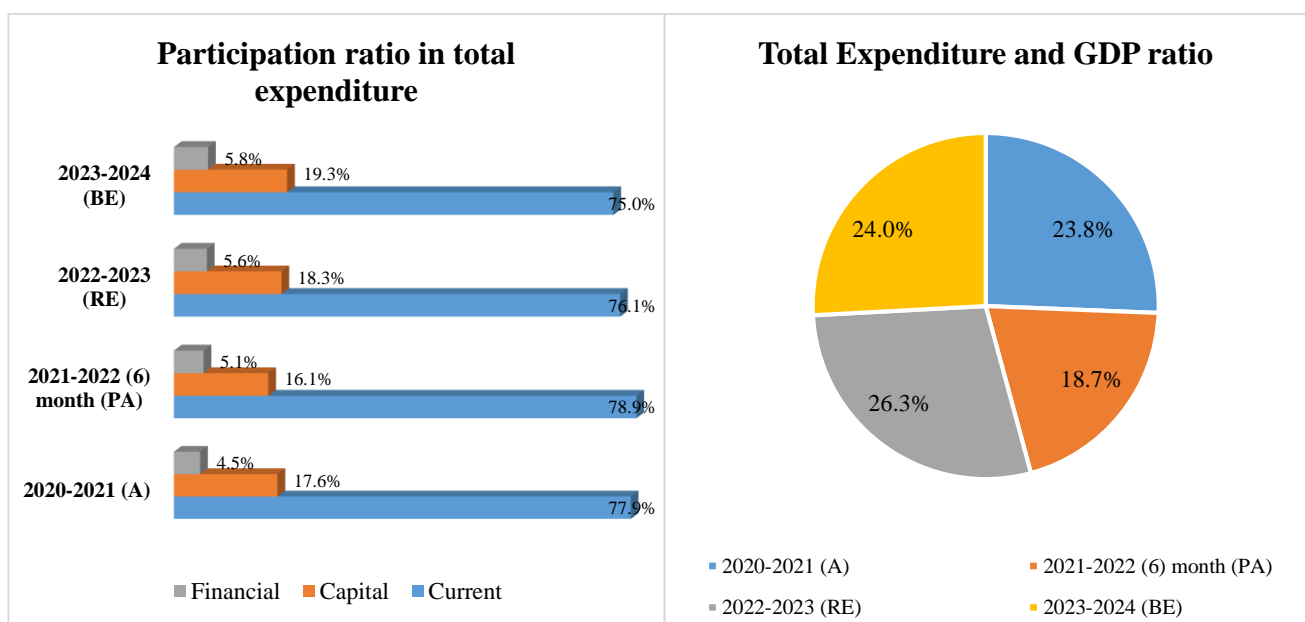
	2020-2021 (A)		2021-2022 6 month (PA)		2022-2023 (RE)	
	Union	State & Region	AO, M&D	SEEs	AO, M&D	SEEs
Current Revenue	83.5%	16.5%	88.9%	11.1%	88.4%	11.6%
Capital Revenue	89.9%	10.1%	53.7%	46.3%	66.6%	33.4%
Financial Revenue	98.3%	1.7%	98.8%	1.2%	98.1%	1.9%
Total Revenue	84.7%	15.3%	89.1%	10.9%	89.0%	11.0%

Source: Budget Department

9. According to 2020-2021 Fiscal Year (Actual), 2021-2022 (6) month fiscal year (provisional actual) and 2022-2023 Fiscal Year (Revised Estimate), the ratio of Union and Regions/States in total revenue is 88 : 12 on average, the average current revenue ratio is 86 : 14; the ratio of capital revenue is an average of 70:30. And the debt revenue ratio averaged 98:2, respectively.

(b) Expenditure Analysis

Figure (2) Participation ratio in total expenditure and Total Expenditure and GDP ratio from 2020-2021 FY to 2022-2023 FY



Source: Budget Department

10. According to 2020-2021 Fiscal Year (Actual), 2021-2022 (6) month fiscal year (provisional actual) and 2022-2023 Fiscal Year (Revised Estimate), the ratio of total expenditure to GDP is 23.8%. 18.7% and 26.3% respectively. 77.9%, 78.9% and 76.1%; of current expenditure in total expenditure, capital expenditure 17.6%; 16.1% and 18.3%; debt expenditure are 4.5%, 5.0% and 5.6% respectively.

Table (4) Percentage composition of Administrative Organization, Ministries and Department (AO, M&D) and State Economic Enterprises (SEEs) in total expenditure

	2020-2021 (A)		2021-2022 6 month (PA)		2022-2023 (RE)	
	AO, M&D	SEEs	AO, M&D	SEEs	AO, M&D	SEEs
Current Expenditure	46.9%	31.0%	41.4%	37.6%	41.3%	34.8%
Capital Expenditure	15.4%	2.3%	13.5%	2.5%	13.7%	4.6%
Financial Expenditure	2.4%	2.0%	2.5%	2.5%	3.1%	2.5%
Total Expenditure	64.7%	35.3%	57.4%	42.6%	58.1%	41.9%

Source: Budget Department

11. In the three fiscal years including the interim fiscal year, current expenditure is the largest share of government expenditure, accounting for 77.9%, 78.9% and 76.1% of total expenditure. Capital expenditure accounted for 17.6%, 16.1% and 18.3% of total expenditure. Debt expenditure accounted for 4.5%, 5.0% and 5.6% of total expenditure. Administrative organization, Ministry and Department expenditure proportion is 64.7%. 57.4% and 58.1%. The state-owned enterprises' proportion is 35.3%; 42.6% and 41.9%.

Table (5) Percentage composition of Union and State/Region in total expenditure

	2020-2021 (A)		2021-2022 6 month (PA)		2022-2023 (RE)	
	Union	State & Region	AO, M&D	SEEs	AO, M&D	SEEs
Current Expenditure	95.7%	4.3%	95.9%	4.1%	96.0%	4.0%
Capital Expenditure	67.7%	32.3%	71.4%	28.6%	74.9%	25.1%
Financial Expenditure	100.0%	0.0%	100.0%	0.0%	100.0%	0.0%
Total Expenditure	89.4%	10.6%	91.1%	8.9%	91.4%	8.6%

Source: Budget Department

12. According to 2020-2021 Fiscal Year (Actual), 2021-2022 (6) month fiscal year (provisional actual) and 2022-2023 Fiscal Year (Revised Estimate), the ratio of participation of the Union and the regions / states in the total expenditure is 91 : 9 on average. Current expenditure ratio is 96:4 on average. The capital expenditure ratio averaged 71:29. The ratio of debt expenditure is on average 100 : 0.0 respectively.

(c) Domestic and External Debt Analysis

13. The Central Bank of Myanmar implements monetary policy by setting monetary targets and implementing monetary activities. In order to achieve and maintain domestic price stability, a specific amount of currency is set as a business objective, and a total amount of currency is set as an intermediate objective.

14. The main factors that change the amount of private money are (a) discretionary spending, (b) rights to foreign exchange, and (c) loans to the government and (d) changes in the amount of loans to the business sector. By comparing the estimate with the targeted amount of private money, the Central Bank of Myanmar is using methods such as calling a credit auction if it wants to inject money into the economic system, and calling a deposit auction if it wants to withdraw excess money from the economic system.

Table (6) Domestic and external debts to GDP ratio

Fiscal Year	Domestic debt to GDP ratio	External debt to GDP ratio	Domestic and External debt to GDP ratio
2020-2021 (until 30-9-2021)	36.9%	17.0%	53.9%
2021-22 (6) month (until 31-3-2022)	37.4%	15.3%	52.7%
2022-2023 (until 31-12-2022)	36.3%	17.9%	54.2%

Source: Treasury Department

Projections for 2023-2024 Fiscal Year

(a) Forecasting of the economy

15. In 2023 – 2024 fiscal year, Economic growth by major sectors during the financial year was 2.4% in the agricultural sector at regular prices. 3.4% in the industrial sector; services sector is expected to grow by 5.5%. 2023-2024; In terms of annual prices in the total domestic production and service value for the fiscal year, the ratio of the agricultural sector from 22.3% to 21.8%, the ratio of the industrial sector was increased from 38.1% to 38.5% and the ratio of the service sector is targeted to increase from 39.6% to 39.7% respectively. In 2023 - 2024 fiscal year, the estimated average inflation rate for the fiscal year is 21.2 %. According to the project objectives, in the 2023-2024 fiscal year, the value of foreign exports was 16.5 billion US dollars. Foreign imports worth 16.0 billion US dollars. The total value of trade is 32.5 billion US dollars and the trade surplus is 0.5 billion US dollars. The average production and service value per person (Per Capital GDP) is targeted to be 2,457,118 Kyats at annual prices.

(b) Budget Proposal

16. In 2023 - 2024 fiscal year, the combined revenue of the Union and Regions/States is 25,364.4 billion Kyats. The total expenditure is 33,175.1 billion kyats and the total deficit is 7,810.7

billion kyats, and the GDP value is 138,195.7 billion kyats. In 2023-2024 fiscal year, to speed up the economic cycle due to the covid-19 pandemic and spend expenditures that will immediately benefit the public. In 2023-2024 fiscal year, the deficit to GDP ratio is projected at 5.7%, and the economic growth is expected to reach 4.1%.

Table (7) Projections of revenue and expenditure for 2022-2023 fiscal year

(Billion kyats)

No	Particular	Union	Region/State	Total	Percentage of GDP
1	Revenues	25,364.4	2,977.2	28,341.6	20.5%
	(1) Current	22,174.3	2,790.2	24,964.5	18.0%
	(2) Capital	254.4	145.2	399.6	0.3%
	(3) Financial	2,935.7	41.8	2,977.5	2.2%
2	Expenditures	33,175.1	2,977.2	36,152.3	26.2%
	(1) Current	24,863.5	1,019.4	25,882.9	18.8%
	(2) Capital	6,385.3	1,952.2	8,337.5	6.0%
	(3) Financial	1,926.3	5.6	1,931.9	1.4%
3	Surplus (+)/ Deficit (-)	(-) 7,810.7	-	(-) 7,810.7	
4	Value of GDP	138,195.7			
5	Deficit to GDP Ratio	5.7%			

Source: Budget Department

(c) Budget Priorities

17. The development of health infrastructure; Improvement of health services; Increasing the annual budget for the promotion of sports, the development of educational infrastructure; to produce skilled workers needed in manufacturing and service industries; cooperation of Ministry of Agriculture, Livestock and Irrigation, Ministry of Education and Ministry of Science and Technology for providing job guarantees linked to the workplace and providing grant for scholarships.

(d) Contingency Fund

18. In 2023-2024 fiscal year, natural disaster prevention that cannot be foreseen in the same way as the previous fiscal year. 100.0 billion Kyats in the Union for the emergency fund for relief and rehabilitation activities; Including Nay Pyi Taw Council, 15.0 billion kyats are allocated for the regions/provinces, totaling 115.0 billion kyats.

Table (8) Contingency for Union, Nay Pyi Taw Council and State/Region

(Billion kyats)

No	Particular	2020-2021 (A)	2021-22 (6) month (PA)	2022-2023 (RE)
1	Contingency Fund	10.1	1.5	13.8

Source: Budget Department

(e) Grants from the Union

19. In 2023-2024 fiscal year, the Union grants to the regions and states are calculated according to the mid-year financial framework and calculated using (6) socio-economic condition indicators, and distributed to the regions and states in a proportional way. 2023-2024 In the fiscal year, the deficit subsidy from the Union to the Regions/States is 1,981.2 billion Kyats.

Table (9) Grant for deficit from Union to State/Region

(Billion kyats)

No	Particular	2020-2021 (A)	2021-22 (6) month (PA)	2022-2023 (RE)
1	Grant from Union	2,308.8	1,063.0	2,010.5

Source: Budget Department

(f) Tax Sharing

20. Regarding the share of taxes distributed by the Union to the Regions/States, all taxes collected by the state-owned sector with indicators according to the medium-term financial framework and 15% of commercial tax (excluding levies on imports) from the private and cooperative sectors; 15% of special goods tax; 5% of personal income tax; 2% of stamp duty was allocated based on the revenue collected by the regions/states. Total sharing for the 2023-2024 fiscal year is 284.3 billion kyats.

Table (10) Tax sharing from Union to State/Region

(Billion kyats)

No	Particular	2020-2021 (A)	2021-22 (6) month (PA)	2022-2023 (RE)
1	Tax Sharing	325.0	134.6	365.7

Source: Budget Department

(g) Economic promotion Fund

21. In 2023-2024 fiscal year, the development of Agriculture, livestock, micro, small and medium enterprises and to increase domestic consumption which is allowed to invest from the National Economic Promotion Fund in the financial year. In the fiscal year 2022-2023, the Ministry of Agriculture, Livestock and Irrigation received 250 billion kyats, the oil industry development loan fund was 50 billion kyats, regional or state governments and autonomous regions or autonomous regional planning administrations received 152 billion kyats and totally the grant was 452 billion kyats. A grant of 170 billion kyats was given to establish economic promotion fund for micro, small and medium enterprises (MSME).

(Billion kyats)

No	Particular	2022-2023 FY
1	Economic promotion Fund	452.0
2	MSME Fund	170.0

Source: Budget Department

(h) State Economic Enterprises

22. In 2023 - 2024 fiscal year, the total revenue of State Economic Enterprises operating with Union Funds, State Economic Enterprises operating outside of the Union Fund Program; cantonment Municipalities, Nay Pyi Taw Council, Nay Pyi Taw Municipal Development Committee, the Central Bank of Myanmar is 12,126.4 billion kyats, the total expenditure is 12,984.9 billion kyats, and the deficit is 858.5 billion kyats.

(i) Deficit Financing

23. The three ways of budget deficit financing are selling of treasury bond, selling of treasury bills and borrowing from Central Bank. In the future, the deficit financing will be conducted by less borrowing from Central Bank and more selling of government treasury bond and treasury bill to the public. In 2023-2024 fiscal year, budget deficit will be 7,810.7 Billion kyats and the financing for the deficit is from domestic and external financing will not more than 10,000.0 Billion kyats which includes the actual withdrawals and consumption of foreign loans and the net repayments of domestic loans during the fiscal year.

Government Priorities

24. The 2023-2024, fiscal year budget will help to implement the previous processes and 12 objectives were established by the state.

25. In order to be able to build a union based on a peaceful and modern democracy and federal system, peace processes are important, as are the processes to be carried out for the country's economic development. To modernize the tasks of agriculture and livestock, the development of rural areas, micro, small and medium enterprises are being encouraged on one hand and the budget allocations are on the other hand and the National Economic Promotion Fund, the Covid-19 Special Loan Fund, small Funds such as the Small and Medium Enterprises Development Fund have been established and are providing support to meet the investment needs.

26. In allocating budget estimates from departmental organizations, the allocation should be close to actual implementation ability. In order to maintain the budget deficit, efforts are being made to meet and exceed the revenue target. In allocating expenditures, the activities that will quickly support the economic development of the state and the expenditures that will improve the socio-economic life of the people will be targeted. Other expenses must be properly scrutinized by following the rules and regulations.

27. Education for the development of human resources, which is the main need in the country. The expenditure on health and social protection, sports, religious and culture will also be approved by the state according to the needs.

28. Regarding large projects, the need to focus on only big projects that will benefit the country, which need to be implemented. Reducing projects that do not need to be carried out now; the need to re-examine the loss-making projects; the state will invest in projects that must be invested in for health and safety.

29. The national government has been conducting public finance management transparently in accordance with the existing laws, and in spending expenditures, financial regulations, Compliance with procedures; Complying with tender rules and regulations; issued orders and instructions.

30. While the national government is making special efforts for the economic development of the country, and the main goal is national prosperity and food security.

Fiscal Risks

31. The need to increase the ratio of tax revenue to GDP; The national government has to continue to increase spending to revive the economy, and the budget deficit continues to occur. According to the country's macro-economic status indicators, the ratio of budget deficit to GDP should be maintained within the appropriate amount and the budget needs for national infrastructure. The need to protect the burden of domestic debts acquired due to national deficits; this is due to expenses related to natural disasters that occur almost every year. In addition, the instability of foreign exchange rates, high inflation, high general commodity prices, economic sanctions, and the suspension of foreign aids and foreign loans have an impact on economic growth.

Fiscal Strategy

32. Financial strategy is divided into short term and long term. In 2023-2024 fiscal year, the ratio of budget deficit to GDP will be kept at a level that stabilizes the economy. The government's expenditure policy to increase investments that will promote economic growth, to provide employment opportunities; expenditure on socio-economic development of the people and the development of human resources.

33. The short-term strategy is to hedge against global uncertainty and maintain fiscal stimulus. Reforms to improve revenue are to create fiscal space for infrastructure and social welfare. In the long-term strategy, the government seeks to increase revenue from economic growth; to improve the quality of spending and stabilize the deficit.

Conclusion

34. State fund is only public fund. Government is managing the state fund on behalf of citizens of Myanmar. The use of public funds by the government is to achieve the real benefits of the

people and the economic development of the country. Therefore, departmental organizations and regional and state governments must make efforts to achieve better public financial management system through increased revenue and effective spending.

