

The First Step toward Participatory Budgeting in Myanmar

Sandhi Governance Institute
Renaissance Institute
Open Myanmar Initiative
Yangon School of Political Science

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Knowledge-Net for a Better World

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*Building Civil Society Capacity in Myanmar
Through Budget Monitoring*

The First Step toward Participatory Budgeting in Myanmar

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Yangon School of Political Science*



Preface

THE ROLE OF THINK-TANKS IN ESTABLISHED DEMOCRACIES SHOULD BE APPRECIATED GIVEN THAT THEY PROVIDE policymakers and legislators with ideas which can produce “good governance” in their society. Think-tanks also consist of a qualified pool of experts and specialists who are conversant with policy issues in domestic and foreign affairs and can be recruited by governmental agencies. For the same reasons, we need to focus on think-tanks’ role in young and emerging democracies, even though they are nascent and maturing. In fact, capable and active think-tanks need to play a bigger role in emerging democracies. A think-tank with competent personnel and institutional strength can encourage a new government, which is transitioning away from an old dictatorship or authoritarian regime toward democratization, to be more accountable toward society. A transitioning regime without a recognized civil society counterpart often risks reactionary backwards slides toward authoritarianism.

South Korea is often held up as a successful model of democratization and can be categorized as a “young” democracy. The country had several chances to democratize in the modern era following independence from Japan after World War II, but did not realize a fully democratic government until 1987 when the government announced the June 29 Declaration accepting citizens’ demand for democracy. Since then South Korea has gradually developed democratically, but it still faces many difficulties in realizing good governance. Good ideas are needed now in South Korea. During the developmental period, government-affiliated think-tanks played an important role. However, in the information age of the 21st century, the role of civil society based private think-tanks’ has become more important. The East Asia Institute (EAI) has endeavored to build a knowledge network with experts and other research institutes to produce good ideas for policy solutions for the last 10 years, and is playing a leading role as a private and independent think-tank in Korean society.

The program “Building Civil Society Capacity in Myanmar through Budget Monitoring” was composed of two tracks including institutional capacity building and research capacity building. As part of the first track of institutional capacity building, all participating institutions, including EAI, Sandhi Governance Institute, Renaissance Institute, Open Myanmar Initiative, and Yangon School of Political Science, shared their experiences. We presented not only our success stories but also the challenges we are facing today. With open-minded and earnest exchanges of experiences and visions, all the participants had the opportunity to learn from one another as we searched for ways to develop into more sustainable think-tanks.

The research capacity building track focused on basic research methodology and also on encouraging Myanmar partners to carry out actual research on government budget monitoring. The citizens of Myanmar have been demanding a more transparent government, and the budget is a practical issue area on which civil society can press its government to be accountable, making this topic a desirable research theme. After two workshops on institutional and research capacity building, the four Myanmar think-tanks started their research on budget issues which were allocated to each institution based on their expertise.

During the research period, Myanmar experienced a historical moment with the general election. Our partners experienced many difficulties during their research in the midst of changes and

opportunities in a new Myanmar. Nevertheless, given the importance of this project, all partner organizations successfully completed their research, a feat that should be appreciated. Without their arduous endeavor and will for democracy and humanity, this final publication on “government budget monitoring in Myanmar” would not have been possible. As Executive Director of this program, I hoped that our Myanmar partners could deliver their own stories about politics and society and present them to the world. This is a meaningful product which can provide insight with real information on Myanmar society to those interested.

This program was a pilot program, and its success was far from guaranteed. However, all the participants shared a belief that “we are on the right path” and we all persevered to the end. The people at Sandhi Governance Institute, Renaissance Institute, Open Myanmar Initiative, and Yangon School of Political Science are all good friends, and I would like to express my gratitude for their dedication and sincere participation. I want to express a special thanks to U Khine Win, Daw Nilar Myaing, and all the staff members of Sandhi Governance Institute for their kind assistance with the logistical matters related to the workshops and the conference in Yangon, Myanmar. I would also like to extend my sincere thanks to my colleagues Ms. Hyejung Suh and Mr. Benjamin A. Engel for their dedication to this program as well as Professor Jae-Hyeok Shin, Professor Won Hee Lee, and Dr. Chang Soo Chung for their time in teaching and guiding the Myanmar research team. Also, I wish to express special thanks to Dr. Han-Wool Jeong who initiated and planned this program, and persuaded me to take over it. Without his vision for this program, EAI would not have had the chance to depart on this journey with our partner think-tanks in Myanmar. Finally, this program would not have been possible without the financial assistance of the National Endowment for Democracy (NED). I am very appreciative of NED’s generous support for EAI’s activities.

Young-Hwan Shin
East Asia Institute

THIS PARTNERSHIP BETWEEN THE SEOUL-BASED EAST ASIA INSTITUTE (EAI) AND OUR FOUR MYANMAR CIVIL SOCIETY organizations was born during an uncertain period in Burma. At that time the country was ruled by a so-called reformist pseudo-civilian government and the outcome of the historic 2015 election were still unknown. However, our civil society organizations were determined to push for the emergence of an accountable democratic government. It was in this context that the collaborative project entitled “Building Civil Society Capacity through Budget Monitoring” was envisioned and implemented from August 2015 to April 2016. It was very timely because we were well aware of the fact that Myanmar civil society must shift its focus away from service provision to advocacy and research in the changing political context. Secondly, public financial management is crucial to any country’s socioeconomic development and for civil society in Myanmar it is unexplored territory. Very few organizations at that time were involved in budget monitoring or public financial issues. Therefore, the capacity of civil society in this field needs to be strengthened and this project was really essential for improving public financial management and financial accountability. Thirdly, nurturing local researchers, establishing research organizations for policy advocacy, and networking with international think tanks are important agendas for promoting good governance in Myanmar.

During implementation, the Myanmar partners learned not only survey and statistical technical skills, but also how to improve the institutional capacity of civil society organizations and network with international think tanks to enable us to produce credible reports, policy briefs, strengthen our organizational capacity, and raise funds for long-term sustainability.

EAI’s role in this partnership was also unique because it was founded with civil society actors-turned-professionals who have a considerable amount of experience in budget monitoring. And it was not a one-sided partnership, but a mutual learning experience and is still an ongoing process which continues to this day. Although I cannot say on behalf of other partners, individually I can say that this project has injected sufficient confidence and motivated us to do more research in the future with the aim of holding government democratically and financially accountable to the people.

Khine Win
Sandhi Governance Institute



Table of Contents

9

Legislative Approval and Oversight of Government Budget in Myanmar

■ *Open Myanmar Initiative*

21

Budget Formulation in Myanmar ■ *Renaissance Institute*

33

Snapshot of Budget Execution in Hleguand Kyauktada Townships of Yangon Regional Division and
in Yekyi Township of Ayeyarwady Regional Division ■ *Sandhi Governance Institute*

45

Budget Execution (2015-2016) in Myanmar: Education Construction Sector

■ *Yangon School of Political Science*



Legislative Approval and Oversight of Government Budget in Myanmar

Open Myanmar Initiative

Yangon, Myanmar

June 2016

Background

After five decades of authoritarian rule, Myanmar saw its first parliament to convene in 2011 after the landmark 2010 general elections. The parliament was controlled by the military-backed Union Solidarity and Development Party (USDP). Though the USDP-controlled parliament tried to shrug off the ‘rubber stamp’ label by exerting oversight efforts of the fellow USDP government. Budget discussions in particular displayed where they faced obstacles from inefficient bureaucratic mechanism, opaque and low-quality rules and regulations, and limited institutional capacity. The obstacles included the distribution of the budget information only a few days ahead of the debate, formatting of the documents, capacity of the MPs to analyze the government budget independently, and the lack of public hearings by the committees.

Now Myanmar’s longstanding opposition National League for Democracy (NLD) which endured the oppression of the former military dictatorship and fought for democratic rights of the people has come to power after defeating USDP in 2015 general elections. They now occupy the overwhelming majority in both chambers and formed the government. They are now looking to impose changes to both bureaucracy and the parliamentary system. Now is the right time to look back and gather lessons from the previous term of the parliament especially in regards to budget approval and oversight so as to serve the interests of the people. The previous regimes allocated less than 15% of the entire budget to healthcare and education while the larger portion of it fed the corrupt bureaucrats.

Purpose

The purpose of this research is to better understand parliamentary budget oversight in Myanmar and explore means of improving budget oversight. The budget is one significant area where the parliament checks and balances the executive and serves the interests of the people effectively. Strengthening the



role of parliament in approval and oversight of the budget would increase the accountability and transparency of the government significantly.

Research Methodology

The research team analyzed the budget documents provided to the parliamentarians ahead of the budget discussion, the parliamentary Hansard (meeting minutes), and the committee reports to understand the accessibility of the budget information for the parliamentarians, the way they debate the budget, and the parliamentary oversight of the government budget. We also conducted face-to-face and email interviews with two MPs who worked on the parliamentary Public Accounts Committee during the previous term. One of them is an incumbent. We conducted the face to face interviews with Daw Tin Nwe Oo, former MP from the National Democratic Force (NDF) and U Sai Thiha Kyaw, incumbent MP and PAC member from Shan Nationalities League for Democracy (SNLD).

International Standards

The legislature is widely accepted in almost all systems as a component to provide oversight and measure the performance of government budget execution. The government has to propose yearly budgets to the parliament or enact a budget law. Some countries enacted a budget law with specific allocations to individual spending agencies and programs within them, while other countries provide overall expenditure levels.¹ The government's budget proposal should also be complemented with supporting budget reports.

To what extent the budget law goes into detail varies on the level of the transparency of the government. The enacted budget law thus delineates the extent to which government can change the budget during the year without returning to the legislature for authorization to change spending plans.²

As the government executes the budget for the specific year, it has to expand the budget in particular areas while the projects are being implemented, meaning they need to change the budget law. In some political systems, governments are required to seek approval from the parliament to expand the budget, proposing a supplemental budget. In some, they are not. According to the Open Budget Index 2006, in 35 out of surveyed 59 countries, the executive rarely proposes a supplemental budget before the budget is expanded.³

The parliament acts as a bridge between the government and citizens, media and civil society

¹ Ramkumar, V. (2008). *Our Money, Our Responsibility: A Citizens' Guide to Monitoring Government Expenditure*. The International Budget Project.

² Ibid.

³ Ibid.



organizations in the concept of social accountability. It opens up a space for the civic engagement through public hearings to make the government and public officials more accountable during the budgeting process. According to a World Bank report “The Role of Civil Society in Holding Government Accountable: A Perspective from the World Bank on the Concept and Emerging Practice of “Social Accountability,” the participatory government through performance monitoring and evaluation is achieved “through the use of public opinion surveys, public hearings or citizens’ report cards.”⁴ The parliament is supposed to disseminate the budget information through its public hearings, though the quality and accessibility of these documents are regarded as “key determinant” for the success of public participation in monitoring and evaluating the government budget.

Key Institutions

Public Accounts Committee

The Public Accounts Committee (PAC) is the standing committee of both chambers and is similar to the Budget Committee and Estimate Committee in some parliamentary systems. The Joint Public Accounts Committee (JPAC) is formed with an equal number of members from the upper house PAC and lower house PAC. As the budget laws are discussed in the combined house, the JPAC assessed the government budget estimates, audit reports, and budget laws, and submitted reports to the parliament. The Joint Public Accounts Office (JPAO) is poised to assist with the committee’s independent budget assessment, but the committee mostly relied on the Auditor-General’s reports during the previous term.⁵

Planning and Financial Development Committee

The committee, renamed later as the National Plan, Union Budget and Taxation Assessment Committee,⁶ was formed in the lower house to assist the PAC in matters related to analysis of the government budget and the national plan.

Government’s Pledges, Guarantees and Undertakings Vetting Committee

The standing committees in both chambers record the promises made by the government ministers in the parliamentary plenary sessions in response to questions and motions by MPs. They track the fulfillment of promises by the government each year and sends warnings to the President via the

⁴ Carme Malena, w. R. (2004). *The Role of Civil Society in Holding Government Accountable*. World Bank.

⁵ Pyithu Hluttaw Public Accounts Committee. n.d. www.pacpyithuhluttaw.gov.mm. PDF. 1 2 2016.

⁶ Pyithu Hluttaw. n.d. www.pyithuhluttaw.gov.mm. HTML. 1 2 2016.



speaker.⁷

Ministry of Finance and Revenue

The Budget Department under the Finance and Revenue Ministry compiles the union budget based on proposals of ministries. It is tasked with drafting the Union Budget – Basic Estimate, Revised Estimate and Supplementary Appropriation.⁸

Ministry of National Planning and Economic Development

The Planning Department under the National Planning and Economic Development Ministry drafts the national plan law as a focal organization. One of its major functions is to upgrade the accounting system to the Systems to National Accounts 2008.⁹ The System of National Accounts is the standardized set of accounts the government mechanism uses for economic reporting.¹⁰

Union Auditor-General's Office

The Union Auditor-General's Office is tasked with assessing the government budget and reporting to the parliament occasionally on government income and expenditure.¹¹ The office submits a mid-term audit report and a yearly audit report to the parliament each year. It also submits a report on the government budget estimates—Basic Estimate, Revised Estimate and Supplementary Appropriation.

Legislative Approval and Oversight of the Government Budget

Legal Framework

Bills related to national plans, annual budgets and taxation are required to be submitted exclusively by the Union government and discussed by MPs in the combined house, according to the constitution. The parliament is allowed by the constitution to cut and approve the government budget and it is not allowed to increase the amount of the budget.¹² When the parliament or MPs want to increase the

⁷ Ibid.

⁸ Ministry of Finance and Revenue. n.d. www.mof.gov.mm. HTML. 24 2 2016.

⁹ Ministry of National Planning and Economic Development. n.d. www.mnped.gov.mm. HTML. 24 2 2016.

¹⁰ Note: The new NLD government has merged two ministries as Ministry of Finance and Planning.

¹¹ SPDC. *Union Auditor-General Law*. 2010. PDF.

¹² Constitution of the Republic of the Union of Myanmar (2008).



budget, they have to raise questions and submit motions, urging the government ministries to increase the budget.¹³

JPAC is the key organization in legislature to assess the government budget bills and provide oversight to the government spending. They are tasked by the parliamentary bylaws to monitor (1) whether the government expenditures deviate from the approved budget, (2) whether the government expenditures break financial rules and regulations, and (3) whether the government spends effectively to achieve targets mentioned in the proposal.

The committee is mandated to inspect the government budget expenditures at the sites to make sure the budget is spend effectively.

The committee is required to report to the parliament on changes in items of the budget, cases that break the financial rules and regulations, weaknesses in budget control of government institutions and recommendations, and specific spending put forward by the Ministry of Finance and Revenue.

The committee can also access and evaluate the attorney-general's reports even though it is the auditor-general's special report to the president on request.

Current Conditions

The government submits the budget bills, annexed with a summary spreadsheet of the annual budget estimate, to the parliament as early as January. The Minister for Finance and Revenue submits the budget bill with overall clarifications on specific items ministry-wise. But, a detailed breakdown of each ministry was distributed in hard copies to the MPs only a few days ahead of discussion. Only since FY 2013-2014 were the detailed breakdowns were available to MPs. Up until 2013, it was only available to the Public Accounts Committee.¹⁴

The Joint Public Accounts Committee assesses the budget bill and submits a report to parliament. Its report on budget bills cover comparisons of income and expenditure by year, surrender of budget in the previous year, surplus and deficit, state economic enterprises, foreign loans and grants, and its findings and recommendations. Key findings and recommendations include overall public finance management and proposed budget cuts. In the FY 2016-2017 budget bill report, the committee credited the ministries for more complete and transparent clarifications on budget proposals and efforts to draft a citizen budget.¹⁵ The committee also suggests ministry-wise budget cuts in the report, but does not mention which specific items should be cut. In FY 2016-17, the committee reduced the government budget by 37.509 billion, which is 0.176 % of the entire budget.¹⁶

The committee holds hearings in the parliament, inviting the ministry representatives to clarify budget proposals. But they are not public hearings and mostly deputy ministers show up to the

¹³ See Appendix 2 – Interview with U Sai Thiha Kyaw

¹⁴ See Appendix 1 – Interview with Daw Tin Nwe Oo.

¹⁵ Pyithu Hluttaw Public Accounts Committee (2015). *Committee's Organizational Review in Pyithu Hluttaw first term.*

¹⁶ Joint Public Account Committee (2016). *Financial Report on 2016 Union Budget Bill.*



hearings. During the entire previous term, the committee could only hear from 9 union-level organizations on clarifications of budget proposals. The Ministry of Finance and Revenue and the Union Auditor-General Office were most frequently invited by the committee. Departments under the Ministry of Finance and Revenue appeared in 6 hearings and the Union Auditor-General Office in 3 hearings. The committee held 22 public hearings in 5 years.¹⁷ The committee's meeting minutes are required to be confidential by parliamentary rules.

After discussion and approval by JPAC, the floor is open for MPs to discuss the government budget during a plenary session. The ministries respond to the discussions of MPs. In this stage, the MPs propose budget cuts mostly by amount from the overall ministry-wise budget, again not mentioning specific items. There are two separate parts to the budget discussion of MPs. The first part is the discussion of principles of the budget where they discuss the basic principles of how budgeting should focus on specific areas such as more investment in healthcare and education, narrowing the development gap, privatization and so on. The latter part is the discussion of the detailed items in the ministry-wise budget proposals and which items should not be allowed. Bold discussions of MPs experienced in government budgeting were critical for an effective assessment of the government budget in the previous term. Both interviewees agreed on the fact that most MPs lacked experience in the budgeting process. But the key challenge for MPs to reflect the needs of the people in the budgeting process was that they are not allowed to increase the amount of the budget, so that they had to find ways to negotiate with the ministries through questions and motions.¹⁸

After the discussion on the budget bill by MPs, the government ministries submit the revised budget with adaptations from the recommendations of JPAC and discussions among the MPs. JPAC then submits a report on the revised budget and MPs again discuss the revised budget in parliament before it is approved.

The supplementary appropriation (supplementary budget) bill is submitted to the parliament around November. It follows the same procedure as the budget bill.

Key Issues

Dependency on Auditor-General's Reports

The Pyithu Hluttaw public account committee's report on its work over the previous five years indicated a serious challenge it faced in scrutinizing the government budget spending: the committee had to rely heavily on the auditor-general's reports. It was also supported by a World Bank's proposal for providing a loan to the parliament to strengthen its budget analysis.¹⁹ The committee report pointed out that they were not allowed to make field trips to monitor and evaluate the government

¹⁷ Pyithu Hluttaw Public Accounts Committee (2015). *Committee's Organizational Review in Pyithu Hluttaw first term*.

¹⁸ See Appendix 2 – Interview with U Sai Thiha Kyaw

¹⁹ Joint Public Account Committee (2014). *Foreign Loan and Aid for Development of Public Finance Management System Report*.



budget spending on the ground, saying it is the major barrier in overseeing the government budget. There is also no direct communication channel between the committee and ministries, meaning that the committee had to ask for all necessary documents via the cabinet office. The committee could not assess the financial control of each ministry.

Accessibility of Budget Documents

The budget documents are distributed to MPs in hard copies in a limited timeframe, making it hard for them to assess details of the government budget proposals from each ministry. They are only distributed to MPs less than a week ahead of the discussion. So, the MPs proposed the overall budget cut and there were cases that the ministry cut budget items which the MPs did not originally intend to cut. Major challenges in assessing the budget include incomplete information and complexities in budget formulation. The government did not provide the appropriate justifications for budget items and project details in the budget bills so the MPs could not evaluate the projects and budget effectively.²⁰

Lack of Public Hearings

JPAC's five-year report highlighted the need for more openness in the committee's hearings, recommending to invite MPs to attend the committee's hearings. The report also suggests the departmental select committees should assess the budget proposals of related ministries. But the parliamentary committees are not mandated to subpoena the government ministries directly and the committee hearings and meetings are meant to be closed door. There are cases that some select committees heard the related ministries for assessment of the organization's budget proposal. But there is no specific committee system to hold committee hearings for assessment of the budget.

Recommendations

To the Government

The government should focus on improving the quality of budget information and timely dissemination of this information. It should focus on adopting a comprehensive system for budgeting and accounting such as a System of National Accounts 2008. It would reduce the complexities and improve the understanding of the budget information among MPs and the public. It would increase the transparency of the government and strengthen the legislative oversight of the government budget.

²⁰ See Appendix 2 – Interview with U Sai Thiha Kyaw



These should be easily accessible in various formats in hard copies and soft copies so that the MPs, the committees, and the public could analyze the government budget independently and reflect the needs of the public in the budgeting process.

To the Parliament

The parliament should open up the committee hearings to the public and set up the committee system that requires each select committee to hear the relevant ministry's assessment of budget proposals. Holding public hearings would increase the transparency of the parliament and strengthen its role in government oversight. The committee should be mandated to subpoena the ministers who are accountable for policy issues for public hearings.

The parliament should also set the basic requirements of information and documents which the government must include in their budget proposals so that the committees and parliamentarians can effectively analyze the government budget bill.

To the Committees

The committees should hold the public hearings which address the ministers and provide justifications for the projects. It should be done in a transparent manner, thereby improving the accountability of the ministers to the parliament and then the people. It should also focus on assessing the government budget independently rather than depending on the auditor-general report. It would strengthen the oversight of the government budget and create a stronger system of checks and balances.

To the Parliamentarians

The parliamentarians should focus on increasing their capacity in understanding the government budget and discuss specifically about the budget cuts in the parliament. They should also ask for more necessary information and documents from the ministries if they discover that information or documents are missing in the ministry's proposals and are needed for critically assessing the budget. They should also participate actively in the public hearings of the select committees.



Appendix 1. Excerpt of Interview with Daw Tin Nwe Oo

Daw Tin Nwe Oo is former MP from the National Democratic Force. She served from 2010 to 2015 and sat on the lower house Public Accounts Committee and the combined house PAC beginning in 2011. She participated actively in discussions on government budget and taxation issues. This is excerpt of a face-to-face interview with her at her party headquarters in Tamwe, Yangon.

Q: What are your experiences with budget discussions during your term in the parliament?

A: The government directly controls the budget, out of fiscal policy and monetary policy. We have to look into how far we could go for growth, referring to the government's policies and priorities on education, health, and defense.

We doubled the education budget and increased the education budget 3.78 times by cutting other unnecessary spending from capital accounts beginning in 2012-2013 FY depending on our own calculations.

We have a Joint Public Accounts Committee (PAC) at the combined house. There were a 15-member PAC in the lower house and a 15-member PACT in the upper house. The Joint Committee was the combination of 30 members altogether from these committees. The number of members was reduced to 7 or 8, after receiving the recommendation from international organizations that the Joint Committee was too big. At first there was one chairman and then two.

Sometimes the budget documents scheduled to discuss on Monday were distributed on Friday. That just isn't possible (to discuss). The budget had to be analyzed at least for two weeks.

At first, they just only showed budget documents rather than sharing them. So, we had to sit for interval meetings. Then the documents were shared with PAC members.

Q: From which year could all MPs access these documents?

A: From 2013-2014 FY. We didn't have enough time, equipment, and staff to analyze whether the budget estimates are reasonable or the expenditures followed financial rules. MPs need to evaluate (the budget) in detail.

We could not directly communicate with the government offices. They were referring us from the director-general to directors who are dispersed in various ministries.

Q: The amount of budget documents for a year equal two men's height. How did you manage to evaluate these documents?

A: We requested a summary from them (the ministries). We compared with the previous year's budget and identified the changes. We had priorities of which ministry we wanted to pick up and evaluate first.

We looked into capital and current accounts. If there was a large requested budget for capital



expenditure, we referred to Planning Form 2-A. They mostly made the consistent proposals. But we had to weigh up what are the benefits of the project and what are ongoing projects (in that area).

Q: In which format did you receive budget documents?

A: No. In papers, files and summary sheets! We had to digitize these documents to excel by ourselves.

Q: How early were these documents distributed to MPs before discussion?

A: Two weeks.

Q: Did the government representatives attend the PAC meetings? Minister or deputy minister?

A: The deputy minister usually came to PAC hearings, but no ministers.

Appendix 2. Excerpt of Interview with U Sai Thiha Kyaw

U Sai Thiha Kyaw is an incumbent MP from the Shan Nationalities League for Democracy. He has been elected from Mongyal Constituency to the lower house for two consecutive terms. He has sat on the Public Accounts Committee since 2011. This is excerpt of email interview with U Sai Thiha Kyaw.

Q: What are the weaknesses and strengths in the approval process for the government budget?

A: If reviewing the budget approval process during the previous term, the strengths are:

- (1) As some MPs in previous terms had just retired from government offices and had experiences in government mechanisms, they could contribute to the budget assessment to a certain extent.
- (2) Some issues were resolved easily through smooth negotiations as most MPs (including military appointees) are from the ruling party.
- (3) The budget could reflect the needs of the people as the ministries and the parliamentary committees could work together.
- (4) The legal restraints were overcome by negotiations. For example, the budget increase in the education and health sectors and the increase of government staff salaries. (Keeping in mind that according to the law, the parliament is not allowed to raise the budget.)
- (5) Bold discussions from MPs who had experience in government works were key to cutting government budget.

The weaknesses were:



- (1) There are legal restraints that the parliament is only allowed to assess, cut and curtail the government budget which is exclusively drafted by the executive and not to raise the budget. It created a huge gap between the needs of the people and the budget. (It became a problem when the parliament could not negotiate with the ministry.)
- (2) There is no specific legislation such as a finance law or a budget drafting law. (One has been drafted, but not yet completed.)
- (3) The parliament did not receive sufficient information to be able to cut the budget.
- (4) The budget cuts and decreases were done in line with the decisions of the ruling Union Solidarity and Development Party.
- (5) Budget formulation is too complex for a layperson to understand.
- (6) Lacking experience, most MPs could not participate very much in budget discussions.
- (7) There were cases of backward payments, insufficient information supply for budget cuts and a lack of transparency.
- (8) No enough time for budget analysis.
- (9) There were difficulties to analyze the budget as a comparison of incomes and expenditures of the previous year was not available.

Q: How did you overcome these challenges?

A: As the parliament was not allowed to increase the budget, we had to propose amendments since to the National Plan Bill so that the government made preparations in the budget so that they could cope with the targets in the National Plan. In cases of unreasonable expenditures, we could cut budget. But in case of needs, we had to negotiate with the ministries or submit motions.

For example, the education ministry increased the budget with items for construction of township and district education offices. We had to negotiate with the ministry to build more schools than education offices. And in the case of increasing salary, we had to work with the finance and revenue ministry to cut other expenses that equal the amount of increased payroll.

As there was no specific parliamentary committee for assessing the government budget, the select committees were separately tasked with assessment of the annual budget of related ministries. It reduced the effectiveness in budget assessment. As the major task of the Public Accounts Committee is to scrutinize whether the government spent the approved budget effectively and to evaluate reports of the Union Auditor-General, it is not responsible to assess the entire budget, which is upon all separate select committees.

Q: What are your recommendations for better budget assessment by the parliament?

A: Besides fixing the abovementioned issues, we need to have new necessary legislation and make amendments to existing ones, publish and distribute an easy-to-understand budget to the people, invite suggestions from the people, not only from the parliament, in transparent manners, and distribute budget information to the people before it is submitted to the parliament.



Budget Formulation in Myanmar

Renaissance Institute

Yangon, Myanmar

June 2016

Current Budget Formulation Process

1. Preparation of budget estimate forms and instruction
2. Preparation of revenue and expenditure estimates by agencies
3. Review and consolidation of agencies' reports by competent ministries
4. Transmission of ministry requests to Ministry of Finance
5. Negotiations between competent Ministers and Ministry of Finance
6. Preparation of draft budget
7. Cabinet approval of draft budget
8. Transmission of Revision
9. Final budget submitted to legislature for approval

The Union budget process is decentralized, the line ministries setting their own budgetary ceiling and devising their own expenditure proposals. Budget proposals are organized along administrative lines by ministry and department rather than by programs, activities, or outputs. The Budget Department, Ministry of Finance (MoF) is responsible for collating the recurrent budget. It is also responsible for the foreign exchange budget which is still in place in 2012 despite the steps taken toward exchange rate unification in 2012. The Ministry of National Planning and Economic Development (MNPED) is responsible for collating and consolidating the capital budget. It also reviews all investment proposals prior to entry into the budget.

Ministry spending proposals were generally made independently of any central coordination regarding future resource availability or constraints. Macroeconomic forecasts are not routinely shared with the line ministries nor are they used to help determine aggregate expenditure ceilings for current and future years.



Supplemental budgets and the budget for next year are submitted almost simultaneously. The result is that parliament is essentially presented with two budgets for their consideration: a revised budget for the fiscal year coming to a close and a new budget for the impending new fiscal year.

The budget formation process is expected to begin around August when the Budget Department and the MNPED issue their budget calendars. The Budget Department sends the prescribed forms to the government organizations to draw expected revenue and expenditure. All government organizations have to return to the budget department before the end of September.

The line ministry compiles the data provided by various departments and organizations concerned, and then submits to the budget department of the Ministry of Finance. The Finance Ministry filters for these budgets which send back the prescribed forms with their proposals through the respective departments and organizations. The process of internal review is expected to be conducted in November and December. Parliamentary debate and adoption are expected to take place between January and March.

Chart 1. Budget formulation and adoption of budget law process

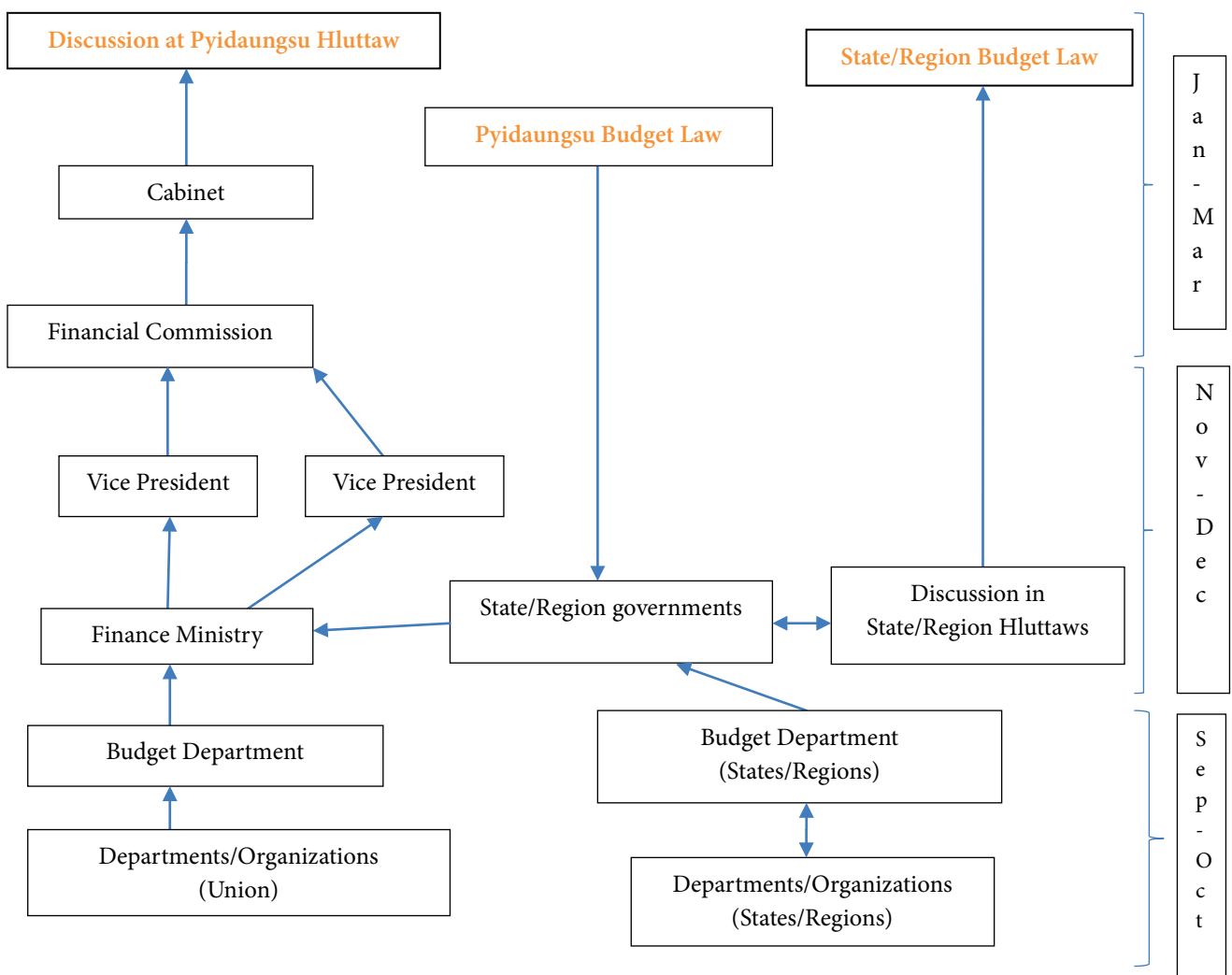




Table 1. Summary of Key Steps in the Budget Process

Month	Budget for FY 2012-13	Revised Budget for FY 2011-12
August	-Preparation of instructions and budget -Estimate forms for the next year. -Distribution of instructions and recurrent and capital budget calendars for next fiscal year	-Distribution of requests about the need for revised recurrent -Capital budget allocation for ongoing fiscal year
September	-Preparation by line ministries and SEEs of revenue and expenditure estimates	-Preparation by line ministries and SEEs of improved revenue and expenditure estimates
October	- Transmission of proposals to MoF and MNPED -Negotiations of proposals between MoF and MNPED ministries -Preparation of draft budget	-Transmission of proposals to MoF and MNPED -Negotiations of proposals between MoF and MNPED ministries -Preparation of draft improved estimates
November	-Review by Union Ministers of MoF and MNPED -Review by Vice President (1)	-Review by Union Ministers of MoF and MNPED -Review by Vice President (1)
December	-Review by Financial Commission -Review by the Office of the President -Submission to Parliament	-Submission of revised budget to Parliament
January - March	-Parliamentary debate and modification -Parliamentary adoption	-Parliamentary debate and modification -Parliamentary adoption

Problems

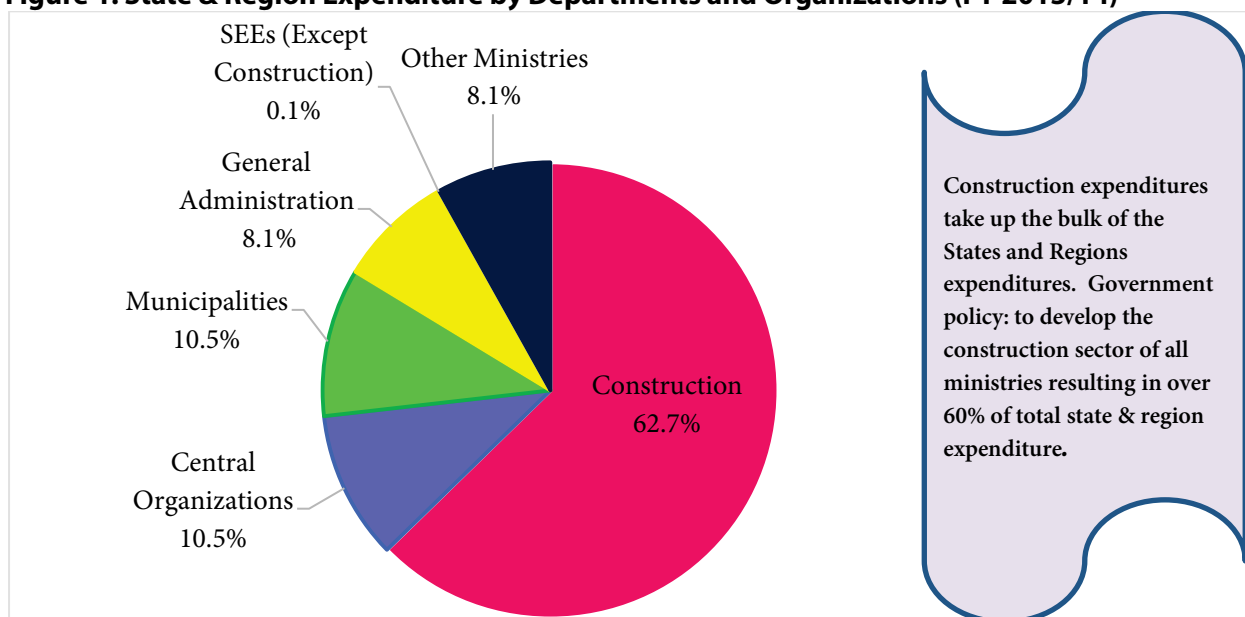
The Auditor General (AG) audits the government books and serves both government and parliament. As the Myanmar Auditor General is appointed by the President, the AG's office is the equivalent of a government ministry. The AG reports to Parliament on budget execution at six-month intervals. The AG has purview over the entire public sector, except for the Ministry of Defense. The AG is also the entity responsible for setting accounting and auditing policy for the public sector. Toward the end of fiscal year, the authorities devise an "improved" set of budget estimates which are presented to parliament for approval in the form of a supplement budget. The supplement budget and the budget for the next year are submitted almost simultaneously. The result is that Members of Parliament (MPs) are essentially presented with two budgets for their consideration: a revised budget for the fiscal year coming to a close and a new budget for the impending new fiscal year. But the MPs don't have enough



time and capacity to review and check the respective budgets due to their lack of knowledge at this point because the parliament budget debate started after the 2012 bi-election.

There is little feedback to ministry of finance, other than rough reports of the AG, about the observance of minimum requirements (even where they are defined), variations in the effectiveness of the control regime implemented by individual spending bodies or statistical information such as the value of procurement processed through different procurement techniques. The lack of internal audits in many spending bodies does not give assurance to senior management in ministries that financial systems and processes (not just individual transactions) are being conducted effectively and being adequately enforced. The AG also indicates that significant problems arise with regards to procurement at all levels with regards to both purchasing and the letting of concessions. There is corruption at all levels (from top to bottom) in purchasing and concessions processes and a crony system. The government policy is to develop the construction sectors of all ministries resulting in over 60 percent of total expenditures being devoted to this sector (see Figure 1). This lack of assurance exposes the control system to risky and uneven application. The challenge remains to achieve an appropriate level of assurance without undermining the beneficial aspects of delegation.

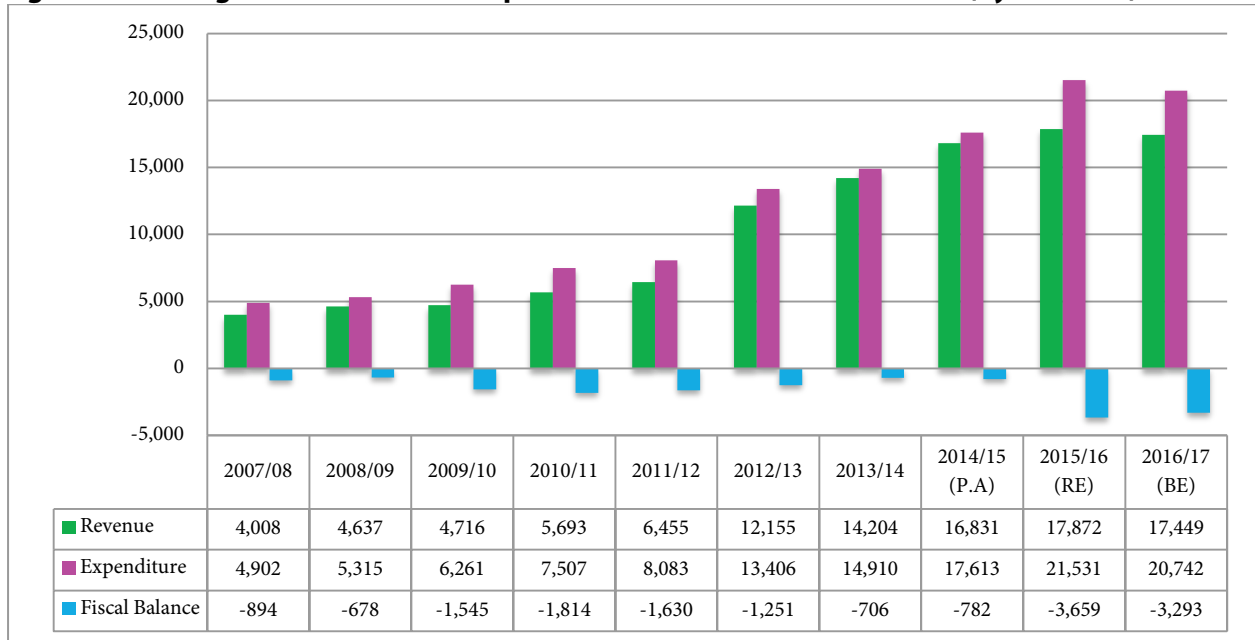
Figure 1: State & Region Expenditure by Departments and Organizations (FY 2013/14)



Myanmar has been facing budget deficits over years. The vast majority of these deficits are financed by monetizing (see Figures 2 and 3).



Figure 2. Changes in Revenue and Expenditure from 2011/12 to 2016/17 (Kyat/Billion)



The revenue mobilization is very poor. Revenues from taxes, royalties and fees accounted for 3 to 8% of GDP. This is very low compared to other developing economies. Tax administration is very weak. An efficient, equitable and transparent tax system is the foundation of fiscal stability.

Figure 3. High and Rising Fiscal Deficit from 1988/89 to 2016/17 (percent of GDP)



Regarding the budget deficit and poor revenue mobilization, low tax revenue had an especially large impact on the budget formulation system through the pre-setting of the amount due to corruption in tax collection and tax evocations.



A budget is considered credible when actual out-turns for revenues, expenditures, and net financing are very close to what was approved in the budget. When budgets are credible, it is easier for governments to maintain macroeconomic stability because actual fiscal balances will be in line with approved targets. When budgets are credible, the capacity to provide public services is higher because ministries and their agencies can confidently plan because the resources approved for them will be delivered to them. Myanmar budget credibility has been low in recent years. Deviations between aggregate expenditure out-turn and approved budgets have been large and growing. *Although revenue has been increasing in recent years, at the same time, expenditures are also increasing. The problems causing low budget credibility is the lack of transparency in tax collection and allocation and spending of expenditures. And then the government is also very tightly controlling the budget which means that the general public doesn't know anything about the budget. Public participation by the general public is needed beginning with the budget formulation stage.*

Figure 4. Tax Revenue Kyat/Billion (2012/13 – 2016/17)

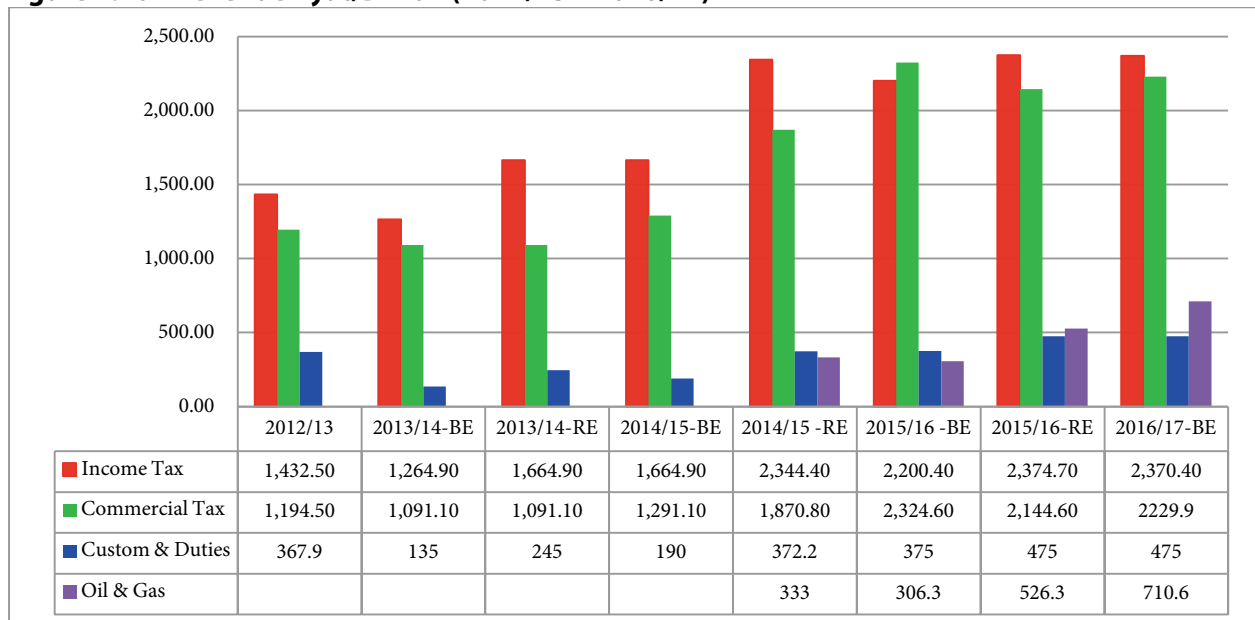
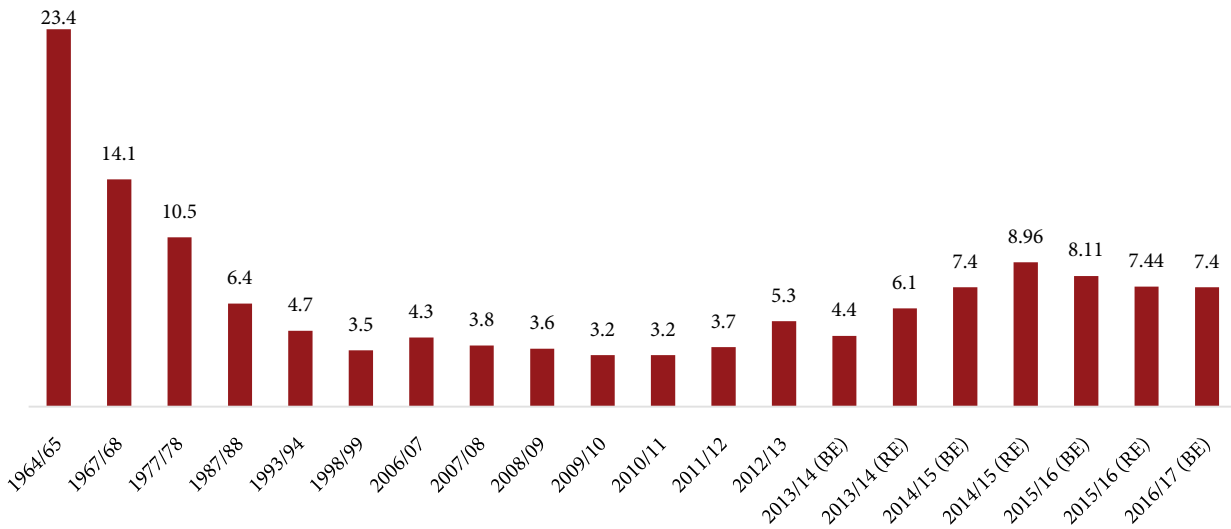




Figure 5. Tax Revenue as a Percent of GDP (1964/65 – 2016/17)



There is a lack of transparency in revenue mobilization in public finance management. The supplementary budget issued in December undermined the integrity of the budget and incentivizes the government organizations to overspend. Many government and public sector entities do not fully report their financial operations, and “Other Accounts” are widely used.

Government spending on education, health and other social services is very low. Budget allocation for these sectors has increased over the period of the U TheinSein administration. Education and health expenditure accounted for 7% and 4% of total government spending for the 2015/16 fiscal year. However, they are very still low by ASEAN and international standards. In addition, combined spending on education and health is less than spending the defense sector. This *means the line ministries budget are put and pre-estimated in the budget formulation stage.*



Figure 6. 2015/16 Government Expenditure (Union-BE)

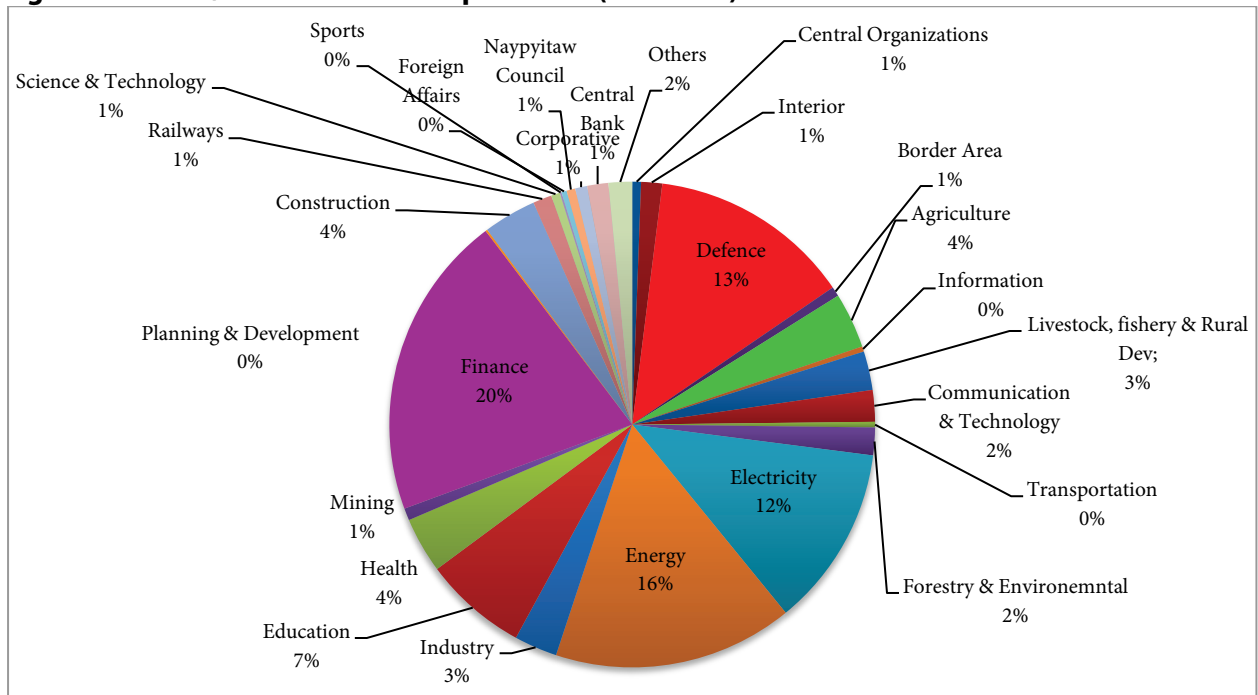
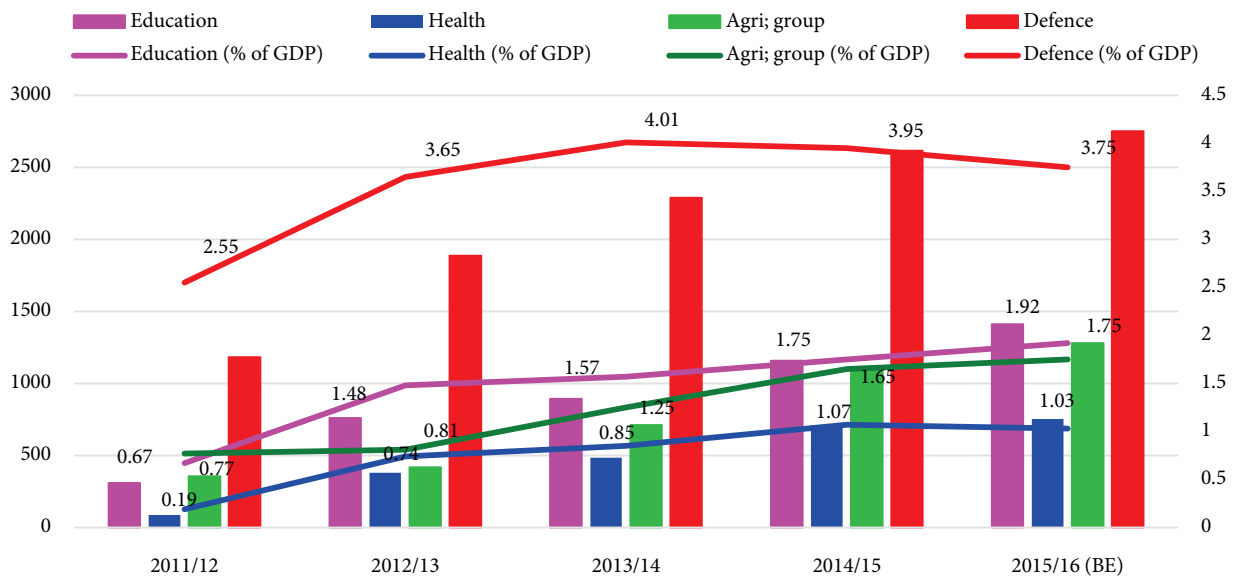


Figure 7. Relative Expenditures on Defense, Education, Health and Agriculture group in Myanmar (2011/12 - 2015/16)



There is a high degree of extra-budgetary expenditure that is not included in the fiscal reports. There is extensive use of “Other Account,” which are essentially accounts held by ministries and SEEs in the Myanmar Economic Bank (MEB) for management of their own-source revenues.

The other account is that according to government policy for SEEs that they can open their own account in the MEB for their profit which is for next year’s capital. But in reality, the SEEs request for the capital budget to the union budget at the formulation stage every year. That means this is related to corruption.



Quarterly limits on spending are set for recurrent spending (although not for capital), but the spending bodies set these limits themselves based on the phasing of their expenditure plans. They do face any risk if they do not spend these quarterly limits, the unused balance will be removed from their budgets for the year as a whole. This is common. But they are in a position to manage that risk by, in the first place, avoiding overestimating and then seeking increases in the limits later in the quarter if necessary. The lack of linkage between plans and budgets means that expected results are not clearly defined. Classification and reporting systems are focused on identifying the spending unit and the nature of the input rather than the objectives of the expenditure or what it is intended to achieve.

The lack of centrally defined standards in areas of procurement do not ensure that the processes implemented at the level of the spending bodies observe at least MINIMUM PRODECURES AND CONTROLS. The system for allocating resources to states/regions is neither rule-based nor transparent, and that states/regions do not receive timely, reliable information on their transfers. Moreover, states/regions may request supplementary budget allocations. These features make for an inter-governmental fiscal system that is not transparent and that impeded sound budget planning.

Table 2. Government Transfer to States/Regions

Year	Kyat/million	% of Total Expenditure	% of GDP
2011/12	160,202	1.98%	0.35%
2012/13	437,038	3.26%	0.85%
2013/14	498,280	3.34%	0.86%
2014/15	1,477,820	8.39%	2.26%
2015/16	1,706,526	7.93%	2.30%
2016/17	1,688,219	8.14%	2.01%



Figure 8. Government Transfer to State and Regions (Kyat/Billion)

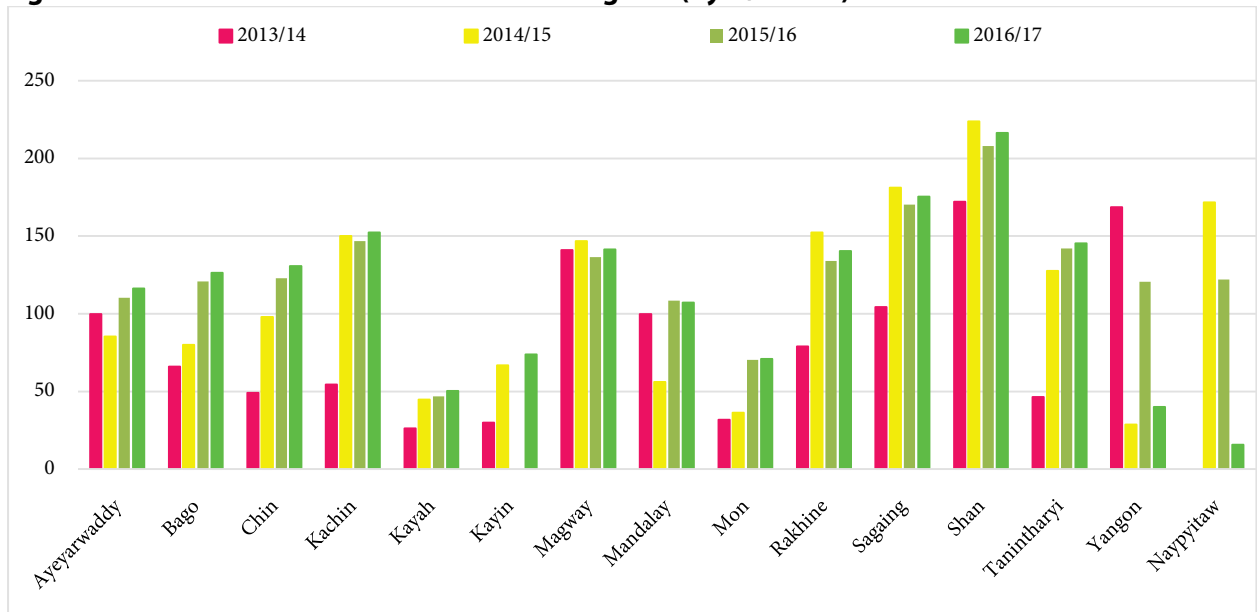


Figure 9. Government Transfer to States & Regions and Naypyitaw, 2013/14

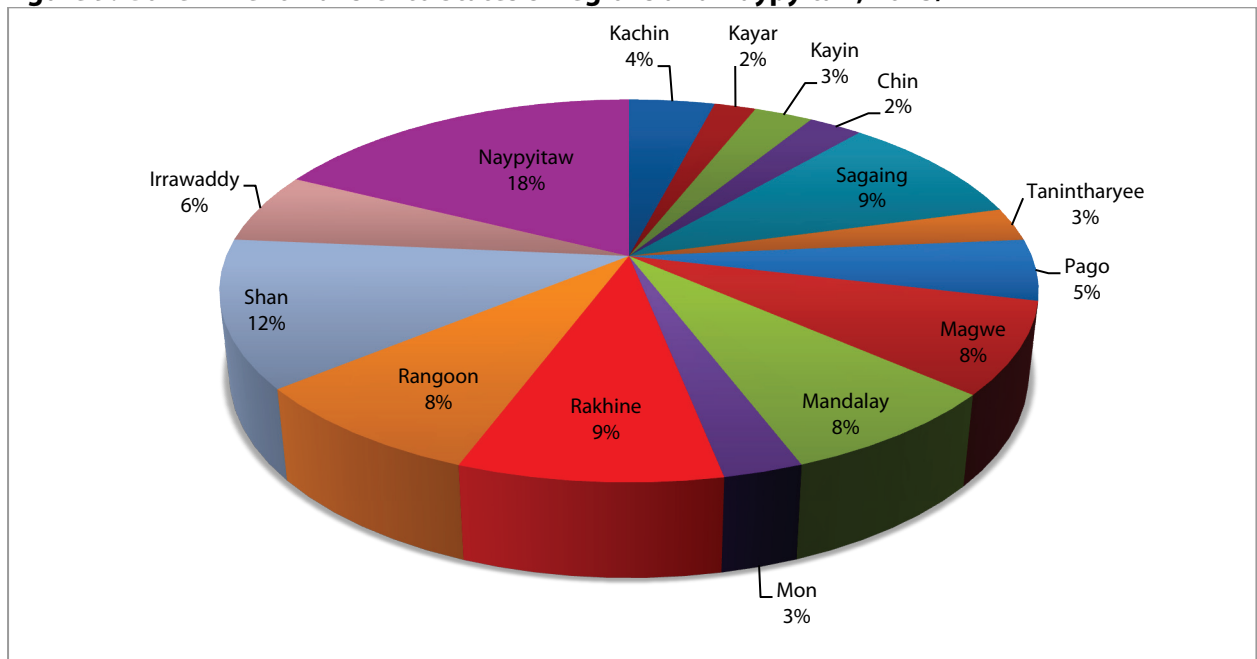




Figure 10. Expenditure for States & Regions and Naypyitaw, 2015/16 (Kyat/Billion)

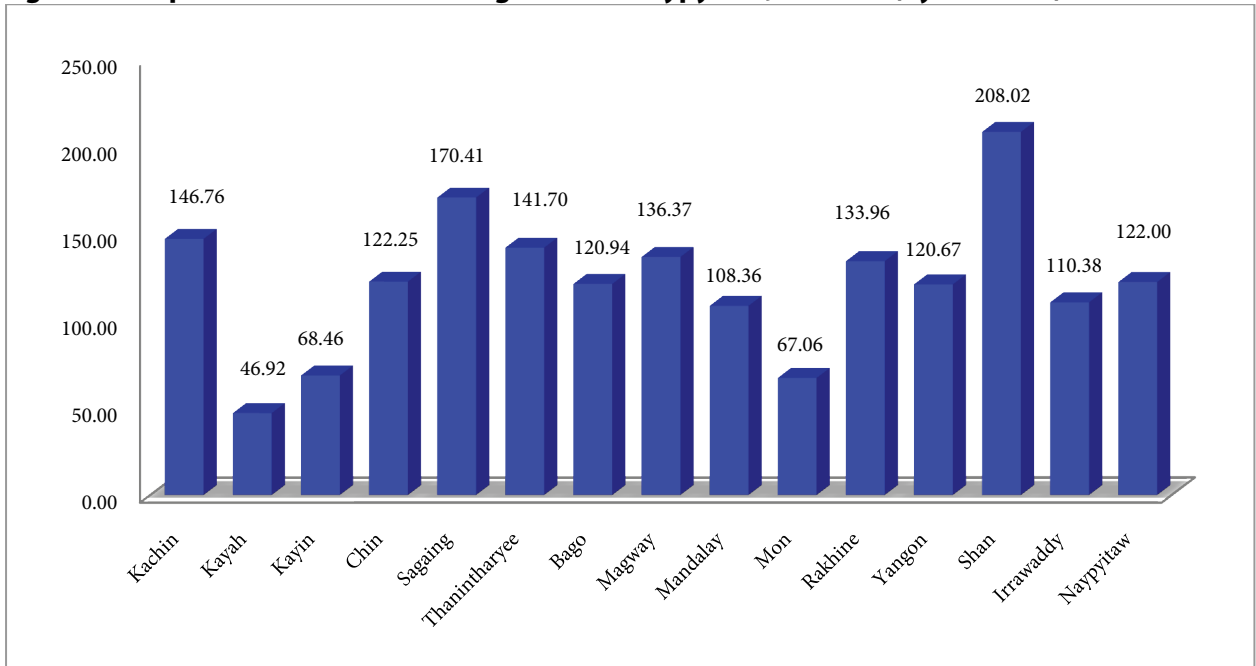
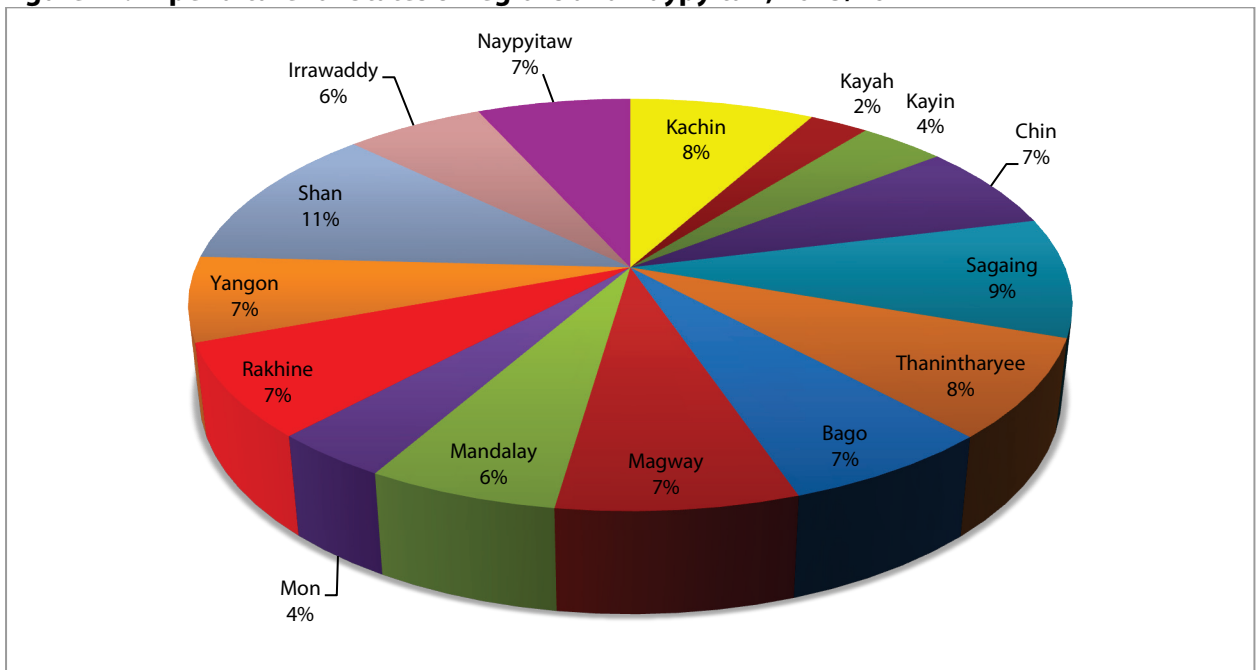


Figure 11. Expenditure for States & Regions and Naypyitaw, 2015/16





Conclusion

In Myanmar, budget formulation needs to be based on the real situation, accurate data and information and also it needs to be based on real budget estimates. There is a need for avoiding the reduced revenue estimation and un-implemented projects should not be included in the budget formulation stage. So, budget waste can be estimated.



Snapshot of Budget Execution in Hleguand Kyauktada Townships of Yangon Regional Division and in Yekyi Township of Ayeyarwady Regional Division

Sandhi Governance Institute

Yangon, Myanmar

June 2016

Introduction

Myanmar's whole budget cycle is notoriously weak including budget execution at the local level. History explains why Myanmar has such an opaque and centrally controlled system. Myanmar was under socialist control for twenty six years from 1962 to 1988. After the 1988 uprising, the military took power and ruled with through different names. It ruled the country till 2011 after the holding of general elections in 2010. Hence, for almost half a century, Myanmar has been under a centrally controlled system. With absolute power, military leaders arbitrarily used the budget and as a result, they did not have sufficient confidence to share the data related to budget formulation, budget allocation, budget execution and budget reports with the public.

As a result of past legacies, the general public does not know how the budget is executed and they also do not show much interest. At the same time, government officials at the township level are not so willing to participate in this research and only limited information is available to us. However, Sandhi tried hard to conduct research working with MPs, the National League for Democracy (NLD) budget monitoring committee, and NLD party members in general. Sandhi expects this mini-research project can serve as baseline data for the NLD-led government on one component of the budget cycle - budget execution at township level.

Research Objectives

- 1) To understand current budget trends at township levels by checking three-year budget figures
- 2) To analyze budgeting procedures and practices of township level officials
- 3) To explore how effectively and efficiently the allocated budget was executed and how the process should be improved to be more participatory at the local level
- 4) To give recommendations to prepare budgeting in transparent and participatory manners.

Research Methodology



- 1) Desk reviews (2014/2015 national and selected regional/divisional budget and expenditure reports, 2015/2016 budget and expenditure reports and 2016/2017 budget)
- 2) Interviews with current NLD MPs from selected townships and members of Budget Monitoring Team from Hlegu Township
- 3) In-depth interviews with township development affairs committees, municipal committees, township medical officer and township education officers, healthcare personnel, education personnel and some relevant township level officers (such as agriculture dept., construction dept. etc.) to understand the current practices and their limitations as well as recommendations to the new government.
- 4) Focus Group Discussions with stakeholders and ordinary people to check how effectively and efficiently their needs are being met currently and how they expect budgeting to improve under the new government

Scope of Research

Sandhi's research is mainly focused on understanding the current budget execution process at the township level, how respective township officers decided the figures for the budget, how different their budget and expenditures are, and what lessons they gained from the previous year's budgeting experience. Sandhi plans to look into available data especially capital accounts in these townships.

Sandhi did research in Yangon and Ayeyarwaddy regions based on the availability of data and willingness of the officers in these townships. Among the three townships that conducted research, only one township has an active NLD budget monitoring committee led by the current Chief Minister of the Yangon region, and MPs from the remaining townships had been struggling to understand the 2016/2017 budget and 2015/2016 allocated budget in relation to the completed work.

Research Findings and Analysis

Description of Budget Execution Types at the Local Level

There are different revenue and expenditure types at the township level including the Development Affairs Organization (DAO) funds, local development funds, and allocated budget expenditures to the Union Government Ministries' township-level departments. Among these funds for expenditure at the township level, DAO funds are different from other funds. After the pseudo-civilian government came to power in 2011, the Department of Development Affairs under the Ministry of Border Affairs was transformed into the Development Affairs Organization (DAO) and all the DAOs are under the Ministry of Development Affairs of the state and region government and no longer under the union-level ministry. DAOs are regional government municipal organizations, and in order to carry out their assigned functions, Township Development Affairs Committees (TDAC) are formed under state and region development committees law and the Executive Officer (EO) of a DAO acts as the secretary of this committee. He/she is accountable to the Minister of Development Affairs of the respective state and region government. An EO is equivalent to an assistant director and he/she has to supervise all the staff of the DAO office. DAO is the implementation body while TDAC is the supervisory



body formed of citizens of the township. DAO has to collect taxes and fees from local people for the development of the town and from its own source revenue they can decide expenditure items. Processes and procedures are the same as union-level government organizations, but they have to submit to regional government.

The second type of funds that are executed at the township level are local development funds. The most common and visible local development funds are constituency funds, poverty reduction funds, and rural development funds (Asia Foundation, 2015). These funds are managed by different entities. Constituency funds are managed by the respective constituency MPs and poverty reduction funds are managed by ministry of rural development. Rural development funds are managed by the General Administration Department and the amount of these funds is smaller than other two according to the Asia Foundation's Local Development Funds Report published in 2015.

Finally, township level government sub-national departments' revenues come directly from their respective departments headquartered in Nay Pyi Taw which are under union ministries Union transfers to regional governments, and state owned enterprise (SOE) revenue. However, township level departments' role is very minimal in budget execution and they are mainly responsible for current accounts, and the regional government is involved in capital account expenditures, particularly in the tendering process.

It seems regional government has no role in township level expenditures. It might be because of the fact that even though expenditures are accounted for in the state/region budget, actual spending is carried out by union ministries' departments. For instance, the Asia Foundation mentions in its sub-national finance report (Asia Foundation, 2015, State and Region Public Finances in Myanmar) that 54 percent of state and region government expenditures were carried out by the Department of Public Works while 23 percent were carried out by a DAO, the Yangon Region Development Committee (YCDC), and the Mandalay Region Development Committee (MCDC). In addition, the report states that the majority of the departmental and SOE expenditure is carried out by the just five entities and the Department of Public Works accounts for more than half of the expenditures. That shows that most of the capital account expenditures are undertaken by the Department of Public Works at the township level and sub-units of Union-level ministries' departments are mainly responsible for current account expenditures.

Capital Account

Respective township level departments have to submit proposed activities for the next year to the township level planning department and send a copy to the respective department. The Township Planning Officer plays a key role in this process. There is a township management committee formed with different government officials at the township level. The Township Administration Officer of the General Administration Department under the Ministry of Home Affairs is the Chairperson and the Township Planning Administrative Office is the Secretary of the Planning Section. The estimated budget for planned activities, mainly construction or maintenance of infrastructure, is submitted with a recommendation letter from the respective township officers. The Township Planning Department compiles and submits them to the Central Planning Department. Then, the Central Planning Department submits to these documents to the Union Parliament for approval after discussion. The Planning Department checks and approves the activities and then submits them to the respective ministries in Nay Pyi Taw. When the money is ready, respective ministries from Nay Pyi Taw allocate the budget to the



regional governments. Through regional governments, township level departments receive information. In the Yangon region, procurement is handled by township level officers directly. However, in the Ayeyarwaddy regional division, it is handled by the regional government.

In the budget execution process, township officers and some finance staff get involved in procurement. As there is no report available to check the quality and progress of the projects, there are many cases in which the project is implemented before the actual budget is approved or some budget lines have no activities and disappear completely. Internally, there is a program audit team, but how they control the quality and how they report to the respective ministries are not available. In one case, the remaining balance was given back only after the budget monitoring committee checked. The NLD budget monitoring committee said that they checked the quality and the amount spent. Quality was assessed by engineers. But some engineers were reluctant to speak up and they keep quiet because they were colleagues. It was discovered that, in most cases, township level officials are not involved in procurement processes such as bidding for construction of school buildings and usually state/region level department heads together with state/region governments are the main decision-makers. Their role is confined to issuing completion certificates and giving necessary endorsements upon the request of contractors.

Current Account

In the middle of the year, respective township level departments have to submit estimated budgets for staff's salaries and other office expenses, such as for maintenance, to their ministries in Nay Pyi Taw. Normally township offices calculate the number of staff allocated and increments the staff will receive in next budget year and average office expenses for each office in the township. Then respective ministries deposit the allocated budget for staff salaries and office expenses to Myanmar Economic Bank in each township and township offices can withdraw monthly expenses from the bank. Every three months, they have to re-submit the budget and balance to Nay Pyi Taw. If necessary, they revise the budget and submit it again. According to the experiences of township officers, it is easier to underestimate the budget rather than overestimate it because if there is a balance at the end of the budget year, the process is more complicated to report to Nay Pyi Taw.

Overall, the budget can cover only the salaries and office minor expenses and it cannot address real needs at local level. Capital accounts and current accounts are managed differently and as a result, in some areas, there are new staff recruited but there isn't any proper infrastructure built for the newly assigned staff. There are some cases at the local level where there are some health workers without a proper health clinic and staff accommodations. In addition, township level offices complain of staff transfers at the end of the budget year. They have difficulty paying salaries and travel allowances (TA) for new staff members. Within the same department, coordination between different townships in different regional divisions seems weak.

The current account is directly managed by Nay Pyi Taw and respective township level offices of the ministries had to submit to Nay Pyi Taw's calculating of the number of staff members and estimated expenses. For capital accounts, they submitted the wish list to the Divisional level officer and NPT decided the budget. They had no authority to check.



Township Development Affairs Organization Fund

The township development affairs organization fund is managed and raised by the township development affairs organization (DAO). However, the township development affairs organization is accountable to the regional government. Like other government departments, they also have to submit an estimated budget so they can collect during the next budget year in the middle of the year. However, budget forecasting has so many challenges for the officials because they have to estimate almost one year ahead. Revenue collection for the township DAOs fund relies heavily on revenues collected from small and medium businesses and vendors whom they cannot avoid. Because of the misconception of the government by the public, most people are not willing to pay construction taxes or other taxes regularly. At the same time, budget balance has to be transferred to the regional government at the end of the year. In addition, the DAO has to pay salaries, benefits, and pension funds for their staff with their own funds. Only with the support of the township development affairs committee can the DAO run effectively and efficiently. If a township DAO overestimates the budget, the remainder should be paid back to the regional government. The challenge for a DAO at the township level is that the time they have to estimate the budget is almost one year in advance. This is not realistic. When local funds have to be given back without spending on the necessary items for the township, the DAO also does not feel comfortable too. DAOs cannot raise tax rates due to public outcry and as a consequence the quality of services they provided is not good. For instance, they are in a very tight situation to improve sanitation and waste disposal services due to funding shortages.

How Transparent and Participatory Is The Budget Execution?

Both transparency and participation were, in general, weak under the nearly half a century long military rule. Many leaders in Myanmar, including technocrats and community leaders, used to say that sharing information with the public and asking for public opinion was a waste of time. In fact, the low tax base and low government credibility are directly linked to the lack of transparency and the lack of participation in the budget cycle. Transparency and participation are new words for most government officials and they do not think that it is necessary. Not only government officials but the ordinary people also do not understand why they need to be accountable and invite participation of different stakeholders. Ordinary citizens do not know how much budget their township will receive and what the budget is intended to accomplish and even if they get this information, they don't show much interest. When the research was conducted in March, most of the township officers dared not answer the questions as they were not so sure of their future. In the past, they only cared about how much percentages they will get as their share from the allocated budget. Among the challenges of the NLD government, mindsets of the government officials need to be changed. Public awareness of the budget cycle should be raised and citizens should be educated on how they can get involved.

Currently, the approved budget for the township level is an internal document. Thanks to NLD MPs who were elected in the 2012 bi-election, interested groups can now receive the annual budget. The allocated budget is available through the MPs in Nay Pyi Taw. However, except for the respective regional ministries, the allocated budget for each township is inaccessible for ordinary people. In addition, although forms require certain information, most ministries did not fill in the information and most of the charts have no information.



According to a review of the 2015/2016 budget execution by the Yangon Region Parliament, there are so many budget lines that were not fulfilled although budget was allocated. At the same time, audit reports and financial reports are very difficult to understand even if it is available. It is difficult to check if these unfulfilled budget lines were refunded or not and how it was managed.

The budgeting procedure for all accounts is clear and all township level officials know well when they have to submit estimates and who the main responsible staff is for what type of budget. All interviewed officials could consistently answer the procedure very well. Financial management training is also available for government staff members too. For capital accounts, the regional government controlled procurement, and township level officers and finance related staff know how much they receive each budget year. There are some cases that township officers do not receive the allocated budget and it was spent by regional government. However, because of top-down system, most government officials dare not complain. In addition, all interviewed government staff members could not answer much regarding budget execution of capital accounts because they do not have the power to intervene in tendering and monitoring them. Respective township officers have to approve that the buildings have been built. Budget execution for capital account is very opaque.

According to the NLD budget monitoring committee of Hlegu Township, the township health department did not receive some allocated budget from the regional health department in the 2013/2014 budget. Hlegu Township Lower House MP complained about it to the Minister of Health directly, and as a result the township health department received the allocated budget completely. There are some cases that township offices do not receive the budget allocated for their townships in some budget years. However, they could not complain about it, and even they complained, nothing happened.

Picture1. Road Built Before the Official Opening in Hlegu Township





The township level government only can provide the list of the buildings which need to be maintained or built to township planning officer for the capital account of the budget. However, nobody knows how it is decided or how they prioritize the budget. Besides, some regional governments actively get involved in procurement process and the respective township officers are invited in the process. Although there are some complaints about the budgeting process, most township level staff members do not show interest in capital accounts. In general, school principals or heads of a department make the list of buildings they want to repair or build in their schools or departments etc. Township officers collect all information and work together with all relevant staff members according to the interviewed township officers. Except the relevant officials, other stakeholders do not get a chance to be involved in the process. So also, in the budget execution process, township officers can complain to the regional government if the quality is significantly poor. According to the NLD party's budget monitoring committee, government staff are more interested in the commission percentage they can receive and no one is interested in complaining about the quality of the buildings or if it is completed on time or not. People in general do not have any idea how much budget is allocated for their township or how to look at the budget. As the budget format is very complicated and inconsistent and it is available only in hard copies, most of the people do not try to understand the total budget or check it properly. In addition, some budget lines such as building roads crossing many townships are difficult to trace. Financial reports and audit reports are not easily accessible either. At the township level, nobody can answer if their allocated capital account is under spent or overspent. At the same time, the allocated budget of some government departments such as the Agriculture Department or General Administration Department cannot be accessed by the NLD monitoring committee.

Current account sare only the salaries of the staff and expenses for offices and buildings. However, according to the interviewed staff, allowances for office expenses are very minimal and they have to conduct fund-raising to cover the expenses. The Township Education Department responded that although school expenses increased, they did not allow the teachers to collect money from the students over the past few years. According to the NLD budget monitoring committee, it is not true. They found out that teachers were still collecting money from the students to buy utilities such as water pots for the classroom, dusters etc. Although there are a few complaints related to current accounts, it is not so significant. Budget estimates have to be submitted every month and it is better because at the end of budget year, they have zero balance and they don't need to worry about under or over spending. Interestingly, some current accounts such as Nay Pyi Taw municipality's expenses for maintenance of gardens are way too much. For the 2016/2017 budget year, the current account request is about USD 800,000 for maintaining parks in Nay Pyi Taw. Under the current account, how the government checks if allocated staff are working in the area or not and how they check the real number of staff in the township are not so clear.

How Effective and Efficient Is Budget Execution at Attending to the Needs of the Local People?

The whole process of financial management is centrally controlled. Local people do not have any information on how township level officers decide the priorities and how it is used. Capital accounts are mostly controlled by regional governments and the central government. Current accounts are for government departmental use in



general. DAOs are the only organizations that can conduct fund-raising and spend locally. Even for a decentralized budget managed by the DAO from each township, local people don't know how the priorities are decided and how much budget is estimated. According to township officer of a DAO, lack of interest from the people makes it hard for the staff of the DAO to collect revenue. Thus they heavily rely on taxes from the vendors and local businessmen. In addition, some township development management committee members are not interested in DAO's activities. Although the township DAO prepared a financial report, not so many people show interest in it. Lack of public support for local fund raising creates barriers to collect local revenue. However, it depends on active support of the township development management committee members and efforts of DAO staff in the area according to one township DAO officer. He shared his successful experience in an area where he made effort together with township development management committee members and community leaders to explain why they need to collect revenue, how they spend the money, and how they can be held accountable. People understood their functions and became more co-operative and successful. Nevertheless, not all the interviewed township DAO officers alluded to a proper consultation mechanism for budgeting as well as budget execution, let alone a responsive system to address the needs of the local people.

Analysis on Problems with Budget Execution

Picture2. Budget Execution Report of Hlegu Township, Yangon Regional Division

စီမံကိန်းအမည်	တည်ဆောက်ရေး	စုစုပေါင်း ခန့်မှန်းခြင်း (ကျပ်သန်း)	ထောက်ပံ့ရေးအဖွဲ့မှ ထောက်ပံ့သည့် အဖွဲ့အစည်း/ ကျွဲကံ	၂၀၁၅-၂၀၁၆ ဘဏ္ဍာရေးစနစ်အတွင်း ဝန်ကြီးဌာနများမှ ထောက်ပံ့ရက်စွဲရရှိသည့် လုပ်ငန်းစီမံကိန်းများနှင့် လုပ်ငန်းများ၏ ဆောင်ရွက်ပြီးစီးမှုအခြေအနေ (တိုင်းအသစ်/ပြီးအတိတ်)		စီမံကိန်းကာလ		၂၀၁၅-၂၀၁၆ ဘဏ္ဍာရေးစနစ်အတွင်း ပြီးစီးမှု ရာခိုင်နှုန်း		မှတ်ချက်
				ပြည်ထောင်စု ငွေလုံးငွေရှင်း	တိုင်းအသစ်/ ပြည်ပမှ	စုစုပေါင်း သက်တမ်း	စီမံကိန်းကာလ	စီမံကိန်း ပြီးစီးမှု ရာခိုင်နှုန်း	စီမံကိန်း ပြီးစီးမှု ရာခိုင်နှုန်း	
၁၁ လူဦးရေစောင့်ရှောက်ရေးစီမံကိန်း/Lift Pump Stations Super Structureအစဉ်း	လုပ်ဆောင်ရေး	၁၅၂.၂၅၀	အင်ဂျင်နီယာဌာန (ရေနှင့်သန့်ရှင်းရေး)	၆	၇	၁၅၂.၂၅၀	၂၀၁၅-၂၀၁၆	၂၀၁၅-၂၀၁၆	၇၉.၃၀၀	၁၀၀%
၁၂ လူဦးရေစောင့်ရှောက်ရေးစီမံကိန်းစနစ်နှင့် ရေအရည်ထိန်းသိမ်းရေးစနစ်တည်ဆောက်ခြင်း	"	၂၆.၄၇၁	"	"	၂၆.၄၇၁	၂၆.၄၇၁	"	"	၁၆.၇၀၀	၁၀၀%
၁၃ Raw water Intake Pumping Station တွင်မြေစည်းရိုးကာန်ခြင်း(၁၁၉၀')RC Column နှင့် အတိုမြေစည်းရိုး(၇)အမြင့်ကာန်ခြင်းနှင့် Chain Link(၁၅၀')ကာန်ခြင်း	"	၇၅.၁၂၂	"	၇၅.၁၂၂	၇၅.၁၂၂	၇၅.၁၂၂	"	"	၃၂.၁၇၀	၁၀၀%
၁၄ ငိုရိုးရိပ်ခြောက်အစိုးရေကန်နှင့် ရေတွန်းစက်ရုံအတွက် ၁၀၀mm HDPE(၁၂၀၀')x၁၂၀၀mm HDPE(၁၅၀၀')x၁၂၀၀mm MS ရိပ် (၂၅၀၀')x၁၂၀၀mm ဆက်သွယ်ခြင်း	"	၁၆၄.၃၃၃	"	၁၆၄.၃၃၃	၁၆၄.၃၃၃	၁၆၄.၃၃၃	"	"	၉၀.၃၀၀	၇၀%
၁၅ လူဦးရေစောင့်ရှောက်ရေးစီမံကိန်းသစ်ရေစိမ့်ကန်အမှတ်(၁)တွင် GI ပိုက်လက်ရန်များနှင့် Manhole အမှားများပြုလုပ်ခြင်း	"	၆၇.၅၆၆	"	၆၇.၅၆၆	၆၇.၅၆၆	၆၇.၅၆၆	"	"	၆၇.၅၆၆	၁၀၀%
၁၆ လူဦးရေစောင့်ရှောက်ရေးစီမံကိန်းရေကန်အမှတ်(၁)တွင် GI ပိုက်လက်ရန်များပြုလုပ်ခြင်း	"	၁၇.၆၂၄	"	၁၇.၆၂၄	၁၇.၆၂၄	၁၇.၆၂၄	"	"	၁၇.၆၂၄	၁၀၀%
၁၇ လူဦးရေစောင့်ရှောက်ရေးစီမံကိန်းရေယူအေးခတ်စက်နှင့် Intake Pumping Station တွင် In-door/Out doorခံစားမှု တည်ဆောက်ခြင်း	"	၂၄.၃၀၃	"	၂၄.၃၀၃	၂၄.၃၀၃	၂၄.၃၀၃	"	"	၂၄.၃၀၃	၁၀၀%
၁၈ လူဦးရေစောင့်ရှောက်ရေးစီမံကိန်းသစ်ရေစိမ့်ကန်အမှတ်(၁)တွင် GI ပိုက်လက်ရန်များနှင့် Manhole အမှားများပြုလုပ်ခြင်း	"	၆၆.၄၇၁	"	၆၆.၄၇၁	၆၆.၄၇၁	၆၆.၄၇၁	"	"	၆၆.၄၇၁	၁၀၀%
၁၉ လူဦးရေစောင့်ရှောက်ရေးစီမံကိန်းအစဉ်စီမံကိန်းတွင် Back Wash Pumpများစားသုံးခြင်းနှင့် အထွက်ကောင်းကောင်းစိစစ်ရေးစနစ်များ ဖြည့်စွက် Transform အစဉ်စီမံကိန်းအစဉ်စီမံကိန်းတွင် ပြုပြင်ရေးစီမံကိန်းအစဉ်စီမံကိန်း	"	၃၃.၆၉၀	"	၃၃.၆၉၀	၃၃.၆၉၀	၃၃.၆၉၀	"	"	၃၃.၆၉၀	၁၀၀%
၂၀ လူဦးရေစောင့်ရှောက်ရေးစီမံကိန်းအစဉ်စီမံကိန်း	"	၂၁.၆၉၆	"	၂၁.၆၉၆	၂၁.၆၉၆	၂၁.၆၉၆	"	"	၁၁.၃၆၀	၁၀၀%

First of all, the major problem in the budgeting process in Myanmar is not having a clear and comprehensive data format. Different ministries have different data formats and all are available only in hard copies. The NLD budget monitoring committee tried to compile the data in a spreadsheet. Budgeting itself has a lot of problems. According to NLD MPs and budget monitoring committees, it is difficult to trace the budget in many ways.



There are various budget discrepancies. Some budget lines are included in the budget but there are no projects on the ground. Some budget lines are not consistent with other budget lines. For example, according to one budget line, the building was only two-storied, but in reality the building had six stories. Some budget lines are requested to be refunded since previous MPs carried out a construction project with his/her own money and then requested them back in the next year's budget. Some budget lines are not for one township only and are actually for three or four townships, and it is difficult to trace budget execution. Besides, maintenance on some infrastructure is requested which does not necessarily require maintenance, and some budget lines are over-estimated.

Prioritization of budget items is also questionable. Instead of building feeder roads or small bridges that can improve transportation for local people, projects to spend billions of dollars to build overpasses or bridge received more money. The budget execution process is also not transparent. In addition, because of incomprehensive budget lines, it is difficult to track the project. According to the NLD budget monitoring committee, some ministries did not cooperate with them on checking their budget execution. Some departments can be checked with NLD supporters.

Picture3. NLD Budget Monitoring Committee Report

ရန်ကင်းတိုင်းဒေသကြီး၊ မြောက်ပိုင်းစရိုင်း၊ လှည်းကူးမြို့နယ်၏
၂၀၁၅-၂၀၁၆ ဘဏ္ဍာရေးနှစ်အတွင်း ဝန်ကြီးဌာနများမှဆောင်ရွက်လျက်ရှိသည့် လုပ်ငန်းစီမံကိန်းများနှင့်လုပ်ငန်းများ၏ ဆောင်ရွက်ပြီးစီးမှုအခြေအနေ (ပြည်ထောင်စုဘက်ဂျာနယ်)

စဉ်	စီမံကိန်းအမည်	တည်နေရာ	စုစုပေါင်း ရင်းနှီးမြှုပ်နှံမှု (ကျပ်သန်း)	တာဝန်ယူ ဆောင်ရွက်သည့် ဖွဲ့စည်းပုံအရပ်/ ကုမ္ပဏီ	၂၀၁၅-၂၀၁၆ ဘဏ္ဍာရေးရရှိမှုအခြေအနေ (ကျပ်သန်း)				စီမံကိန်းကာလ		၂၀၁၅-၂၀၁၆ စုစုပေါင်း စာရင်းကိန်း	ပြီးစီးမှု ရာခိုင်နှုန်း
					ပြည်ထောင်စု ငွေလုံးငွေရင်း	တိုင်းဒေသကြီး/ ပြည်နယ်	ဆေးငွေ/ အကူအညီ	စုစုပေါင်း	စတင် သည့်ကာလ	ပြီးစီးမည့် ကာလ		
၁	ပြည်ထောင်စုရထားဝန်အဖွဲ့ ဧည့်သည်တော်များရုံးအောက် (မောင်ကြီး)	မောင်ကြီး	၈၆.၃၉၀		၈၆.၃၉၀	၀.၀၀၀	၀.၀၀၀	၈၆.၃၉၀	၂၀၁၅-၂၀၁၆ ဘဏ္ဍာနှစ်	၂၀၁၅-၂၀၁၆ ဘဏ္ဍာနှစ်	၈၆.၃၉၀	၁၀၀%
၂	မြန်မာ့စွယ်စုံကျမ်း 11KV လိုင်း(၃၀၀၀) တည်ဆောက်ခြင်း၊ 50 KVA Transformer နှင့် (၂) ဘိုင်းစင် တည်ဆောက်ခြင်း၊ (Transformer မှ စက်ခန်းအထိ ကြိုးဆွဲခြင်း) အမျိုးသမီးတပ်ဖွဲ့(၃)တွင် 3HP Submersible Pump တပ်ဆင်ခြင်း(၀)လုံး	#	၁၃.၅၇၅	ဆောက်လုပ်ရေးဝန်ကြီးဌာန	၁၃.၅၇၅			၁၃.၅၇၅			၁၃.၅၇၅	၁၀၀%
၃	စည်ရိပ်သာ(၁)တွင် SHP30 လေအေးစက် နှင့် installation တပ်ဆင်ခြင်းတစ်ခု	#	၄.၀၀၀	ဧည့်သည်တော်များရုံး	၄.၀၀၀			၄.၀၀၀			၄.၀၀၀	၁၀၀%
၄	အုန်းဘေးစက်မောင်း 1 SHP Air Con(၃၀)လုံးနှင့် Installation လုပ်ငန်းဆောင်ရွက်ခြင်း	#	၁၅.၀၀၀	ကုမ္ပဏီ	၁၅.၀၀၀			၁၅.၀၀၀			၁၅.၀၀၀	၁၀၀%
၅	အုန်းဘေးစက်မောင်း Services Wires, Air Con, Socket, Satic panel နှင့် Main Breaker တပ်ဆင်ခြင်း	#	၂.၈၀၀	ဧည့်သည်တော်များရုံး	၂.၈၀၀			၂.၈၀၀			၂.၈၀၀	၁၀၀%
၆	ရုံးကွက်ကြီး(၀)ဆရာတော်ရုံးတွင် 20 HP ရေပစ်ပန်း တပ်ဆင်ခြင်း	#	၄.၃၀၀		၄.၃၀၀			၄.၃၀၀			၄.၃၀၀	၁၀၀%
၇	(20*20) Sub Station Housing (11KV / 0.4KV) ဆေးအေးလိုင်း၊ နှံ့ဖွံ့ အဆောက်အအုံ တည်ဆောက်ခြင်း	#	၇.၅၀၀	ကုမ္ပဏီ	၇.၅၀၀			၇.၅၀၀			၇.၅	၁၀၀%
၈	11KV လိုင်း(၀၀၀၀) တည်ဆောက်ခြင်း၊ 315 KVA Transformer နှင့် (၂) ဘိုင်းစင် တည်ဆောက်ခြင်း၊ (Transformer မှ စက်ခန်းအထိ ကြိုးဆွဲခြင်း) အခြားအသုံးစရိတ်များ	#	၃.၆၀၀	ဧည့်သည်တော်များရုံး	၃.၆၀၀			၃.၆၀၀			၃.၆	၁၀၀%
၉	Sky net MPS (Internet System) (2 Set) နယ်စပ်ရေပေးစနစ်စည်ပင်သာယာရေးဝန်ကြီးဌာန ကွက်ဆင်းလမ်း(၅၀၀၀/၅)မိုင်	ကျပ်သန်း	၆၄.၁၅၀		၆၄.၁၅၀			၆၄.၁၅၀			၆၄.၁၅၀	၅၀%
၁၀	ကျွန်းမာရေးဝန်ကြီးဌာန ကျွန်းမာရေးဦးစီးဌာန ပြည်ရွက်လုပ်ငန်းများ		၈၆၇.၆၉၀		၈၆၇.၆၉၀			၈၆၇.၆၉၀	၂၀၁၅-၂၀၁၆ ဘဏ္ဍာနှစ်	၂၀၁၅-၂၀၁၆ ဘဏ္ဍာနှစ်	၈၆၇.၆၉၀	၁၀၀%
၁၁	ဒါးပိန်(၁၆) ကွက်ဆွဲတိုက်နယ်ဆေးရုံ ပြည်သူ့ကျန်းမာရေးဦးစီးဌာန ဆောင်ရွက်မည့်လုပ်ငန်းများ	ဒါးပိန်တောင်	၂၄၀.၀၀၀	မြင့်မိုရ်လမ်းကုမ္ပဏီ	၂၄၀.၀၀၀			၂၄၀.၀၀၀			၂၄၀.၀၀၀	၁၀၀%
၁၂	မရောင်ဟုဂ္ဂလက်ကျွန်းမာရေးဌာနခွဲ	မရောင်	၃၉.၀၀၀	Great Six Co Ltd	၃၉.၀၀၀			၃၉.၀၀၀			၃၉.၀၀၀	၁၀၀%
၁၃	မင်းတင်ဟိုတေးလက်ကမ်းမားစင်တာ	မင်းတင်ဟို	၁၈.၀၀၀	Great Six Co Ltd	၁၈.၀၀၀			၁၈.၀၀၀			၁၈.၀၀၀	၁၀၀%

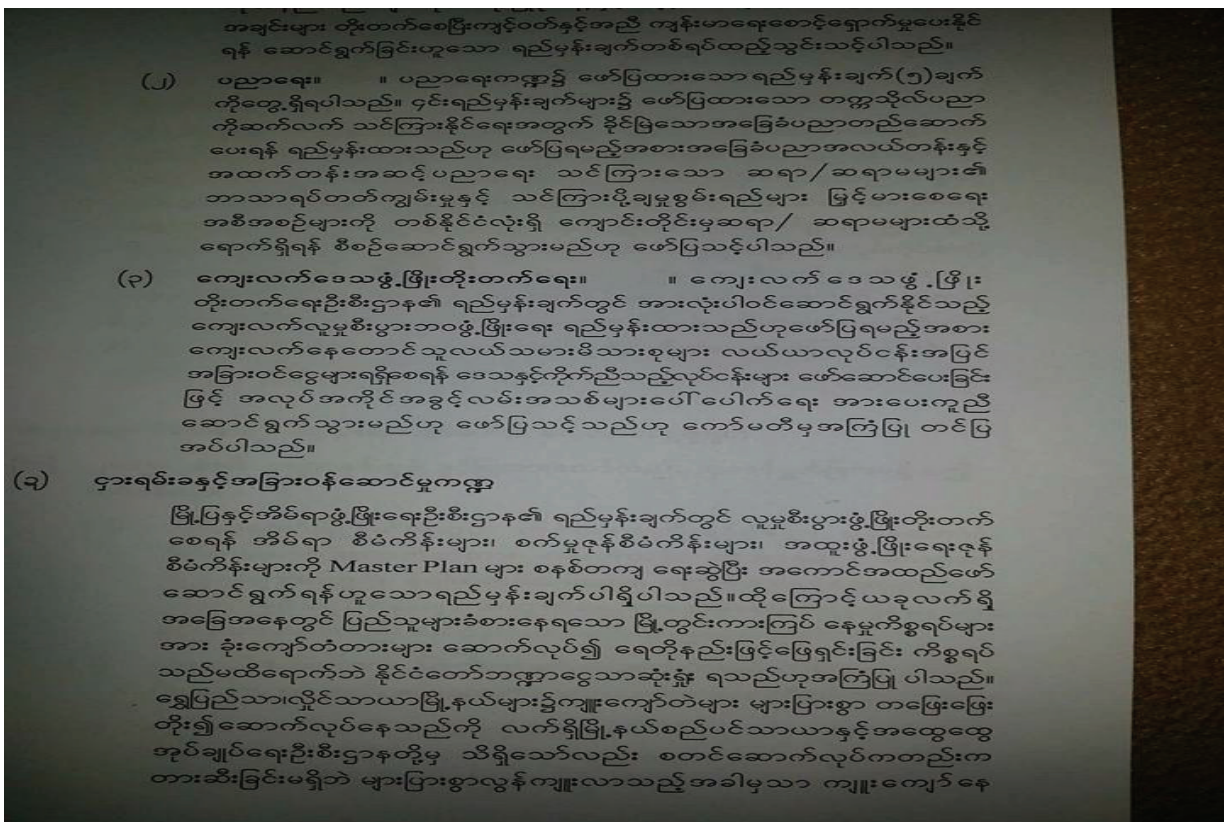
The new Yangon region government reviewed the budget execution for 2015/2016 and the budget for 2016/2017 which was estimated by the previous government. Some budget lines included in 2015/2016 were not implemented in 2015/2016 budget year and some budget lines included in 2016/2017 have been implemented already according to their budget review on March 22, 2016.



Conclusion and Recommendations

Myanmar is in a major crisis of mismanagement of the whole budget cycle. Currently, for the 2016/2017 budget, the Yangon regional government submitted a proposition to review the budget and reallocate some budget items to be more effective and efficient. Under previous governments of Myanmar over the last twenty years, information of the whole budget cycle starting from budget formulation to budget oversight was only available for internal use. Since the NLD won 43 seats in the 2012 bi-election, the NLD started to collect available budget data through their MPs and checked budget execution on the township level departments of the ministries. Their major focus is capital accounts for building infrastructure in their constituencies. The budget execution that could be monitored by the NLD was just general. They could only check if the allocated budget was used, how many percentages could be finished, or if the quality was okay or not. There were some success stories shared by the NLD budget monitoring committee. Some township level departments did not get the allocated budget from regional government and MPs from their constituencies asked the respective ministries. As a result, they got back the allocated budget.

Picture 4. Yangon Regional Hluttaw's 2016-2017 Budget Review



Among the many challenges for the NLD as a new democratic government in Myanmar, a low tax base is one major problem. Under the previous military governments, the whole budget cycle was so opaque. Before military rule started in 1988, the country practiced socialism. At that time, everything was owned by the state and education, healthcare services, and utilities fees were heavily subsidized. Then when there was a coup after the 1988 uprising and their major agenda is peace and stability.



With that agenda, their major expenditures were for the military and they did not give back power to a civilian government until 2010. After the 2010 general election, the so called civilian government led by President TheinSein who had been Prime Minister in the military government could not handle budget cycle well. Starting from civil servants at the local level to the ministry level, corruption is highly institutionalized. For generations, people did not show much interest in budget procedures. Even if a person is interested in checking how the budget is executed, there is no data available. The budget needs to be more transparent and accountable.

Under previous governments, procurement of some local projects were controlled by regional government officials because they gave tenders to the people they knew well. As a common practice, commission has to be given to different levels of government officials. Township level officers were in the quality control committee and without their signatures, payments were not made. As audit reports were just for internal use, it was impossible to check if expenditure transactions were recorded properly or not. Execution reports were not published including the final execution report.

The first step is to strengthen the capacity of civil society organizations (CSOs) which can analyze and assess how funds are actually spent to implement the policies, programs, and projects outlined in the budget effectively and efficiently. Currently, there are limited number of strong civil society organizations that can take on such a role in Myanmar.

Prioritization of budget allocation in the budget cycle is decided by the government officials alone. Budget monitoring has been done by previous opposition groups, NLD but now they are in power. They can share ideas and expertise to other townships, but the challenge is that they are no longer the opposition. This research was done during transition period of the NLD itself. NLD budget monitoring committee still wants to take on a watchdog role. The 2016/2017 budget is still okay for NLD. They do not want to change their role. For the time being, the NLD is the most active group that has been checking budget execution and there is no strong active civil society organization in Myanmar.

Recommendations

In the short term starting from 2016/2017 budget:

- The NLD government should make the allocated budget of all states and regional divisions accessible to all. If possible, the allocated budget format should be comprehensive and easy to understand.
- A budget monitoring committee at the township level should be formed and budget tracking must be available on different regional government's websites.
- At the same time, public awareness should be raised by respective township development support committees together with tax information.

Within two to three years:

- There should be a public hearing on budgeting based on the budget execution process of the previous year. Regular consultation should be made also with different stakeholders.
- All internal financial and audit reports as well as approved budgets must be accessible.



- Regular consultation should be made with civil society organizations to meet internationally accepted criteria and the capacity of civil society organizations needs to be strengthened.



Budget Execution (2015-2016) in Myanmar: Education Construction Sector

Yangon School of Political Science²¹

Yangon, Myanmar

June 2016

Abstract

In the budget monitoring and participatory budget project of the East Asia Institute, the Yangon School of Political Science has undertaken a study entitled "Myanmar Budget Execution for the 2015-2016 Fiscal Year". There are four sections in this project: "Budget Formulation", "Budget Approval", "Budget Execution" and "Budget Oversight". But YSPS' chosen topic of "Budget Execution" is too huge and broad to study in a confined period of time, so the YSPS research team narrowed down the topic to "Budget Execution in Education Construction in 2015-2016 Fiscal Year". In this short report, we sought to identify how the government executes the budget and the nature of the flow of money from the very start to ground level construction sites. Another aim of our research is to shed light on the fact that we, the people, are still excluded in all phases of the budget process.

Introduction

In early 2015, YSPS hosted and discussed with a delegation from EAI and found ways to initiate cooperation between two organizations. In June, EAI started the Building Civil Society Capacity in Myanmar project and trained partner organizations. YSPS also participated in these training sessions and afterwards YSPS agreed to work on Budget Monitoring Research using the techniques discussed during the training sessions. Although YSPS chose the topic National Budget Execution, as it was too broad to study YSPS decided to reduce the scope of the research to National Budget Execution in the sector of the construction of educational facilities.

²¹ The Yangon School of Political Science Research Team would like to thank all the individuals who helped us to understand the budgeting process and all of the individuals who have been involved in this project and have made this report possible. We would like to express our special thanks to East Asia Institute (EAI) research team for their guidance, enthusiasm and willingness to involve us.



Firstly, we differentiated our research into three main parts:

- (1) To understand the nature of Budget. (Where does it start, How is it formulated)
- (2) To compare educational sector with other sectors by years
- (3) To understand the actual ground level

To understand the nature of budget the YSPS research team started to collect data and tried to meet with members of the Yangon Regional parliament in October 2015. However, the budget for the education sector is only part of the Union Legislative list, which is the list of bill that can be ratified by Pyi Htaung Su Hluttaw (combination of Upper house and lower house). We tried to meet members of parliament from Pyi Htaung Hsu Hluttaw to understand the procedure of budgeting system.

During December 2015, our research team reviewed the data we collected. We compared the budget allocations in the education sector for 2015-2016 fiscal year with other fiscal years. And then we reduced our focus area to construction overseen by the basic education department.

On January 25, 2016 YSPS research team went to Nay Pyi Taw to request detailed budget data for the Yangon regional education department and interviewed some members of parliament from Amyothar Hluttaw who were serving as members in the Public Account Committee.

In early February, the YSPS research team went to five basic elementary schools and the township education department in Thanlyin Township and interviewed headmasters and district education officers. And then in second week of February, we went to two basic elementary schools and interviewed their headmasters.

We also conducted the interviews with contractors who are hired by the government to build schools.

During our study, we focused on the following questions:

- 1) How many citizens participated in the budgeting process?
- 2) Who proposed the budget?
- 3) Who calculated the estimate budget?
- 4) How was accountability and transparency maintained during budget execution?
- 5) Who conducted the bidding process?
- 6) What were the procedures for bidding system?
- 7) Was there any procurement policy for constructing buildings?
- 8) Who participated in the quality control process?



Research Methodology

YSPS reviewed the budget for the 2015-2016 fiscal year and compared it with other fiscal years. Also the difference between the budget allocation for education sector and other sectors was reviewed. And then we studied the Yangon Regional budget and expenditure report of for the construction of buildings for educational purposes.

We conducted in-depth interviews with some officers from the district education department and township education officers, headmasters of elementary schools, stakeholders in each township and some directors of construction companies.

The Educational Budget for the 2015-2016 Fiscal Year

We began by studying the educational budget for the 2015-2016 fiscal year and compared it with those of from other fiscal years. We found that since 2011, the budget for the Education Ministry has increased year by year.

Figure 1. Comparison of 2015-2016 Fiscal Year with Other Fiscal Year for Education Sector in Million Kyat

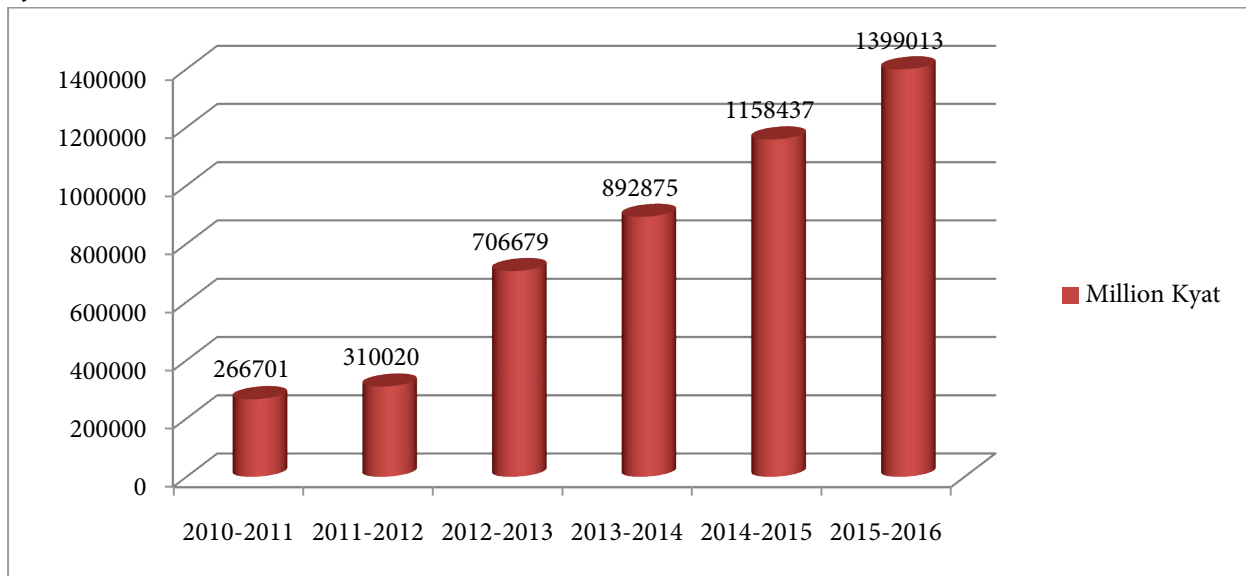




Figure 2. Comparison of Educational Sector with Other Sectors in Percentage

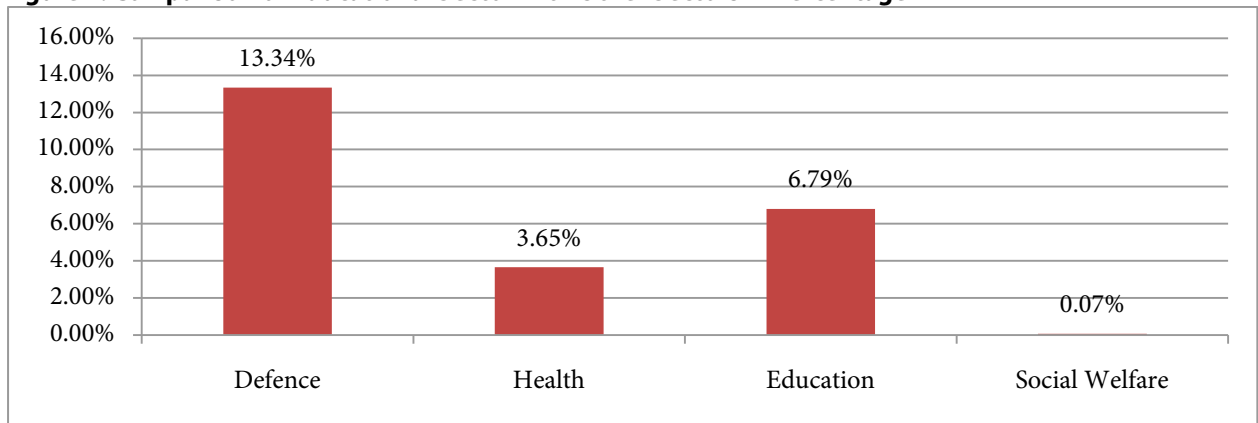
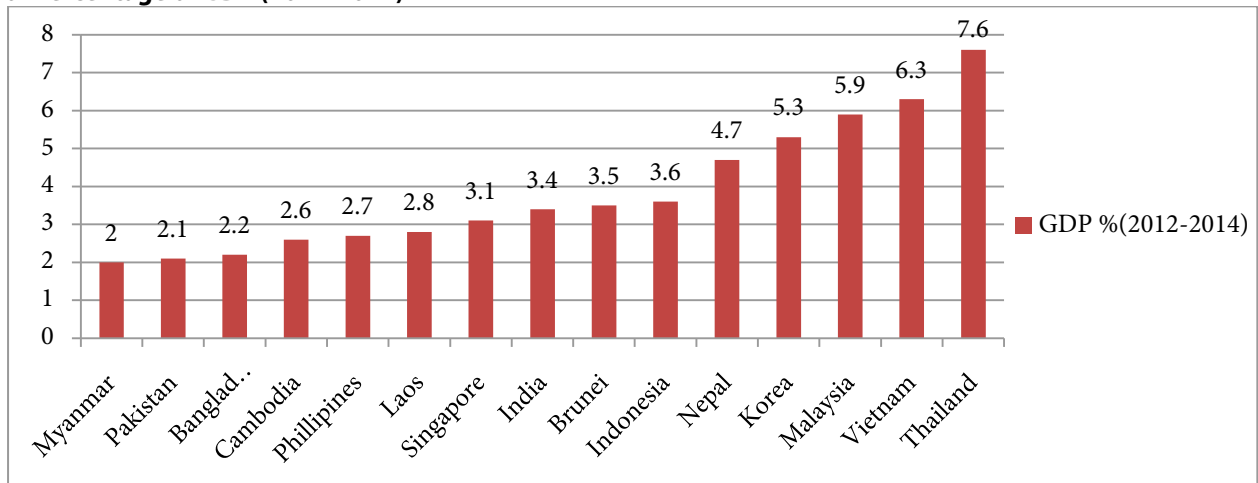
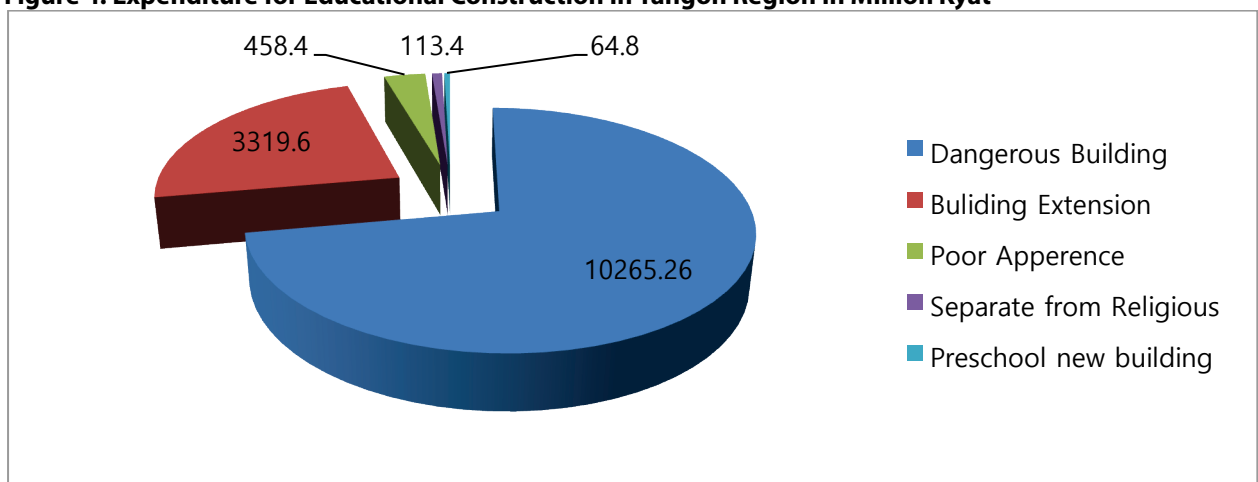


Figure 3. Comparison of Expenses in Education Sector of Myanmar with Other Asia Countries in Terms of Percentage of GDP (2012-2014)



Source: World Development References

Figure 4. Expenditure for Educational Construction in Yangon Region in Million Kyat





Citizen participation in budget execution

The Ministry of Education instructed each department and school to make proposal for constructing new buildings in terms of needs and the condition of each school. At that time the school committee wrote a proposal for a new building to the township education officer. In their proposal, it included the reason for they needed a new building, a draft of the blueprint for new building and its size. Sometimes it included an estimated budget calculated by a school committee, but this was not common. The proposal went up step by step up to the Education Ministry. And then it went to the Ministry of Finance. The Ministry of Finance transferred proposals for constructing new schools to the Ministry of Construction in order to check it. As it included a funding amount, it was checked in detail by the National Planning and Economics Development Ministry. Then the Finance Ministry integrated all the accounts and presented it to the Vice President. After being checked by the Vice President, he transferred it to the Finance Commission to approve in order to propose the proposal as a bill in the Union Parliament.

After being approved by the Union Parliament, the No.3 Basic Education Department called for bids from construction companies and the company which won the bid had the permission to build it. From our study, we heard that the construction companies were chosen by lottery system.

Only when the permission was given to the construction companies the township education officer and headmaster were informed and received orders to proceed. There was a constructing committee for each school and it included the township education officer, headmaster and members of the school committee. The township officer is chairman and the headmaster is general secretary of these committees. The company which won the bid provided the approved letter and cash request for constructing new building to the school committee and the headmaster and township education officer signed off on the cash request. The construction company then received the money for expenses related to the construction in four or five installments. Each time when they requested money, the headmaster and the township education officer approved and signed off on the request. The payment is made in the form of a bank cheque, not with bank notes. The payment depends on the condition of work completed. We learned that there are five steps in payment process:

- (1) First step - - 25% (Materials arrive)
- (2) Second step- - 25% (After foundation is complete)
- (3) Third step- 25% (Completion of roof and final brick)
- (4) Fourth step- 20% (After Windows, ceiling, floor)
- (5) Fifth step- 5% (After painting and handover)

At each step of the payment process, the head of the school and the township educational official check the completion of the construction and sign.

But the flow of cash was not clear. or in other words it was unclear who was most responsible for handling the flow of cash to pay for the construction.

There was also a committee for quality control which included the township education officer, the headmaster, the township construction engineer, the township municipal officer, an assistant officer from the township general administration department and members of the school committee. This committee oversaw the



completion of construction and recommended it to their respective departments. After the whole constructing task was finished, the company referred the building to the school committee. The two committees checked the quality of the building. So, as seen through the description of the process, the building of a new school was handled only by government departments. We also found that in some township quality control committees have engineers, but this is not true of all townships.

Figure (5). The steps of Budget proposal in educational construction sector





The Bidding System and Procurement Policies

Every year the Basic Education Department calls for bids to construct new school buildings. Firstly, companies which want to submit bids must provide their company's profile, a budget estimate for each project, bank statements and a construction license which requires a five million kyat deposit. The calculations are based on 18000 kyat for one square foot. The board which is responsible for choosing the bids checks applications with the attached files and usually sees the calculation of each project, the company profile and the company's bank statement. Mostly companies put ten to forty applications for bids related to various projects. But it is not clear what criteria the board uses while choosing a company for a project. Although the projects we studied this year were proceeding well and no QC problems or corruption was found, we believe that there is a significant level of corruption in the bidding process and also companies which win bids bought the permissions for the projects from other small companies which were not very accountable and had poor quality control.

Although there were not any specific procurement policies we found in our study for choosing construction companies, there were some standardized requirements and conditions in the permission for procurement. This included specific standards for foundation, quality of cement, bricks and construction material.

Findings

In our study, we found that citizen participation in the budget process was very poor and there was no role for citizens to play from the beginning of the budgeting process to the execution and QC reviews. All of the projects were initiated by government departments. There were no discussion with citizens to propose a project and no room for them.

Besides, procedures and processes calling for bids were not clear and transparent. No citizens were allowed to know how a company was chosen to complete a project. And what were the rules and regulations? Who was responsible for choosing companies? How did they choose them? There was no one to answer these questions.

Furthermore, we did not see any procurement policy for the companies while performing government projects. And although the school committee and quality control committee were assigned to check the quality of constructed buildings, it was formed only of government officials.

Recommendations

- 1) The government should encourage its citizens to participate in the budgeting process.
- 2) There should be a series of discussions among citizens about the issues of the budget before the budgeting process.
- 3) The government should allow normal people to participate in the construction committees and also control the committees to maintain transparency between the government, company and citizens.
- 4) The bidding system should be more transparent and clear.
- 5) Interest in budget execution among the people should be encouraged.



- 6) NGOs and Civil Society Organizations should raise their awareness on the issue of the budget and do budget monitoring.

Fieldwork

Picture 1. Basic Education Middle School (Kon Chan Kone) (100% Completed)





Picture 2. Basic Education Primary School (Ngar Pyin Ma) (50% completed)



Picture 3. Basic Education Middle School (Naung Lay Pin) (90% completed)





Picture 4. Basic Education Middle School (Kan Pa) (90% completed)



Picture 5. Basic Education Primary School (Thit Sake) (100% completed)





Conclusion

We would like to encourage civil society, NGOs and individual citizens to participate in and monitor government's budgeting process. Our study also indicates that awareness of ordinary people on budget matter is quite low.



Participants of Workshop in Yangon, Myanmar. August 2015

Knowledge-Net for a Better World

- This series of reports on government budget monitoring in Myanmar was compiled as a part of the “Building Civil Society Capacity in Myanmar Through Budget Monitoring” program. The research for these reports was conducted entirely by EAI’s partner think-tanks in Myanmar, including Sandhi Governance Institute, Renaissance Institute, Open Myanmar Initiative, and Yangon School of Political Science.
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