



# Protect, Revitalize, Recover, Prosper: Impact of COVID-19 on Myanmar Businesses and Policy Implication

The Working Committee to Address Coronavirus Disease (COVID-19)  
Economic Impact

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## List of Short Forms and Acronyms

|           |   |
|-----------|---|
| CBM       | Central Bank of Myanmar   |
| CERP      | COVID-19 Economic Relief Plan   |
| Committee | The Working Committee to Address Coronavirus Disease (COVID-19) Economic Impact |
| DFID      | Department for International Development  |
| FDI       | Foreign Direct Investment   |
| FRD       | Financial Regulatory Department   |
| ITC       | International Trade Centre  |
| MFI       | Microfinance Institution  |
| MFS       | Mobile financial services   |
| MoPFI     | Ministry of Planning, Finance and Industry                                      |
| MSDP      | Myanmar Sustainable Development Plan  |
| MSME      | Micro, small and mid-sized enterprise   |
| PPD       | Public-Private Dialogue   |
| PSD       | Private Sector Development  |
| SOE       | State-owned enterprise  |
| SME       | Small and mid-sized enterprise  |
| UNCDF     | United Nations Capital Development Fund   |

## Forward and Acknowledgements

In mid-March 2020, the Government of Myanmar requested the support of the Department for International Development (DFID) and its DaNa Facility programme to support The Working Committee to Address Coronavirus Disease (COVID-19) Economic Impact to harness the resources of government, private sector, development partners and relevant stakeholders to drive economic responses to the real-sector impacts of COVID-19 in Myanmar. The support was subsequently extended to the Committee's Task Force as well as to the COVID-19 Economic Relief Plan (CERP) of the Ministry of Planning, Finance and Industry (MoPFI) and the SME Center to address relevant enterprise development issues.

A consortium comprising the DaNa Facility, the International Trade Centre, and the United Nations Capital Development Fund commenced work in April on implementing activities and producing policy notes that align closely with both the CERP's directions and the mandate of the Committee. The technical policy notes on financial inclusion, trade and investment, micro, small and medium-sized enterprise development, agribusiness, tourism, manufacturing, and private sector development have been carefully tailored to support CERP actions, the needs of the respective implementing agencies, and the requirement to mobilise additional resources to meet the government's response goals.

This report represents an assessment of the impacts of COVID-19 on the real sector and provides recommendations on high-level thematic and sector policies based on interviews and discussions, secondary data sources, and customised surveys by both the DaNa team and others. It includes an analysis of the sustainability and risk mitigation implications of COVID-19, the implementation of the CERP, and provides directions for developing a Post-COVID-19 Action Plan that would involve the business community.

The planning for the report—*Protect, Revitalise, Recover, Prosper: Impact of COVID-19 on Myanmar Businesses and Policy Implications*—was guided by Committee members. The team liaised with many government officials and development partners across a range of ministries and agencies.

The preparation of the report was led by the DaNa Facility in close partnership with the International Trade Centre and the United Nations Capital Development Fund. DFID team members provided valuable suggestions and guidance.

The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors and do not necessarily reflect the views of DFID or the Government of Myanmar.

## Executive Summary

The COVID-19 crisis has inflicted multiple shocks on the Myanmar economy that threaten to potentially devastate Myanmar's business community, especially its embryonic and fragile micro, small and mid-sized enterprises (MSMEs), whether in agriculture, industry, or services. An effective government's response is critical to protect and revitalise the business community and MSMEs; this requires the design and implementation of a coherent set of actions that range from the macro response to the crisis to detailed support for business and MSMEs. This report contributes towards identifying such policies, especially as they apply to MSMEs. It examines Myanmar's position in the global spread of COVID-19 and its impact on the real economy and provides a strategic view on how the government can protect businesses—particularly MSMEs—from further harm, help them recover, and then eventually reinvigorate them to prosper once the pandemic ends.

Amidst the global turmoil, while the health consequences of the pandemic in Myanmar have been relatively muted, Myanmar's goal should be to continue to insure against health shocks, protect its recent economic gains, and introduce policies that not only help it recover from this crisis, but also revitalise its economy so it prospers in the long term. Evidence from around the world shows that fiscal support to marginalised and vulnerable groups has only partly compensated for income losses. A key lesson, therefore, is to identify health and safety protocols that will allow these groups to return to work while minimising the risk of accelerating the spread of the disease.

The economic effects of COVID-19 have been dire. Myanmar economic growth in 2020 is projected to approach zero. Contact-intensive sectors (tourism, hotels, restaurants, airlines) have been hit the hardest, followed by trade-intensive industries (notably garments and other manufacturing). Unfortunately, the poor have been hurt disproportionately, especially those in informal urban services, while marginalised and vulnerable groups are at even greater risk than before.

**Strengthening implementation of the COVID-19 Economic Relief Plan (CERP).** The report considers a range of options to improve the government's response to the crisis. It urges:

- A greater priority on guiding implementation of critical programmes
- Setting key milestones, delegating authority to implementing agencies and holding them accountable
- Close programme monitoring and systematic evaluation
- Frequent surveys of developments in Myanmar and careful monitoring of policy actions abroad, with periodic briefings on the Government's COVID-19 response initiatives to stakeholders
- Enhanced institutional co-ordination across government departments, the business community, and development partners
- Greater simplicity and flexibility in policy design and implementation to respond to the rapidly evolving situation at home and abroad
- Introduction of smart protocols specifically adapted to Myanmar's unique conditions and characteristics to help the country maximise production and incomes while containing the spread of the virus and keeping mortality levels low and manageable.

**Supporting MSMEs with finance and capacity.** MSMEs, which form the backbone of the economy, need special attention to ensure they remain viable and productive despite the extraordinary pressures they face. The report uses a typology of Myanmar's MSMEs to propose financial policies tailored to each group, as well as some trade and investment recommendations to prepare MSMEs and the business community for the COVID-19 recovery phase:

- For relatively large, professionally-run small and mid-sized enterprises (SMEs), a high priority is the provision of a temporary debt servicing moratorium as well as liquidity to help them meet operational costs and working capital needs. To finance this initiative, the government will need to supplement funds from bilateral and multilateral institutions with resources from the budget and Central Bank of Myanmar (CBM), channel these through the financial system, and incorporate on-lending incentives to encourage the participation of banks. In this regard, the introduction of a 50% credit guarantee for all new loans to SMEs will play a crucial role.
- For smaller family-owned commercial businesses that borrow mostly from microfinance institutions (MFIs) and financial co-operatives, the report proposes that the CBM introduce a line of credit through specially designated SME financing units at carefully selected banks that will automatically refinance all bank lending to MFIs with the commitment and capacity for entry-level SME lending. To ensure that resources reach the “missing middle” of SMEs (those too small to borrow from banks but too large to borrow from MFIs), it is important that the government-regulated MFI loan limit be raised significantly from MMK 10 million. Just as for professional SMEs, the government can support the refinancing arrangement for smaller SMEs by guaranteeing 50% of all new loans offered by MFIs to MSMEs.
- For subsistence microenterprises that borrow from a variety of sources—in groups (with group guarantees) from MFIs and co-operatives, and individually from informal sources such as family, relatives, friends, and moneylenders—the report recommends offering unconditional cash transfers through schemes being designed and prepared for the rural and urban poor, likely through a combination of both MFIs and mobile financial services (MFS) providers.
- On trade and investment, the report calls for measures to rapidly change regulations to open up trade and investment, build institutional capacities in key trade and investment-related areas, enhance trade facilitation and logistics to position Myanmar as a logistics hub, build skills of MSMEs and provide them with trade finance to improve their export competitiveness, provide enhanced aftercare services to existing investors to encourage the retention of foreign direct investment and reinvestment, and strengthen the functioning of a public private partnership (PPP) unit to design, tender, negotiate, and administer PPPs, especially for strategic infrastructure projects.

**Relief to recovery.** Throughout, the report highlights the important role of the private sector in driving the transition during the COVID-19 crisis from relief to recovery, and the critical importance of maintaining the pre-crisis reform momentum for private sector development (PSD). The report identifies 3 immediate recovery priorities to carry the economy through the next phases of the pandemic: staying healthy through increasing use of smart measures as against more draconian lockdowns; managing risks that will inevitably arise at home and abroad in the coming months and years from unusual economic and social turbulence— as well as from extreme weather events related to climate change; and ensuring MSMEs remain operational, including the use of measures to provide liquidity access through the formal financial system. These 3 priorities should be accompanied by actions that support the medium-term PSD reform agenda, which covers legal and regulatory institutions and outcomes; trade and investment policies; the role of state-owned enterprises; and human capital development.

Key cross-cutting themes that have been highlighted by COVID-19 include gender and social inclusion, businesses generating social impacts, and regional business development in poor and disadvantaged regions.

### အစီရင်ခံစာ အကျဉ်းချုပ်

ကိုဗစ်-၁၉ အကြပ်အတည်းသည် စိုက်ပျိုးရေး၊ စက်မှုလုပ်ငန်း သို့မဟုတ် ဝန်ဆောင်မှုနယ်ပယ်အတွင်းရှိ မြန်မာ့စီးပွားရေးအသိုက်အဝန်း အထူးသဖြင့် ၎င်း၏ အခြေတည်ဆဲ၊ ဖွံ့ဖြိုးဆဲ အသေးစား၊ အငယ်စားနှင့် အလယ်အလတ် တန်းစား လုပ်ငန်းများ (MSMEs) ကို အကြီးအကျယ် ပျက်စီးစေပြီး မြန်မာ့စီးပွားရေးကို များစွာ ထိခိုက်စေပါသည်။ စီးပွားရေးအသိုက်အဝန်းနှင့် MSME များကို ကာကွယ်ရန်နှင့် ပြန်လည်အသက်သွင်းရန်အတွက် အစိုးရ၏ အကျိုးသက်ရောက်မှုရှိသော တုံ့ပြန်မှုက အဓိကကျလှပြီး ၎င်းတွင် အကြပ်အတည်းအတွက် အကြီးစား တုံ့ပြန်မှုမှသည် စီးပွားရေးလုပ်ငန်းနှင့် MSME များပေါ် အသေးစိတ်ပံ့ပိုးမှုအထိ အမျိုးမျိုး ပါဝင်သော ကြောင်းကျိုးဆီလျော်သည့် လုပ်ဆောင်ချက်များ ရေးဆွဲအကောင်အထည်ဖော်ရန် လိုအပ်ပါသည်။ အထူးသဖြင့် MSME များအတွက် အကျိုးဝင်သော အဆိုပါမူဝါဒများကို ဖော်ဆောင်ရာတွင် ဤအစီရင်ခံစာက ပါဝင်ပံ့ပိုးပေးပါသည်။ ကမ္ဘာ့အဖွဲ့ ကိုဗစ်-၁၉ ကူးစက်မှုအတွင်း မြန်မာနိုင်ငံ၏ အနေအထားနှင့် စီးပွားရေးစနစ် အစစ်အမှန်ပေါ် သက်ရောက်မှုတို့ကို ၎င်းက ဆန်းစစ်ပေးပြီး စီးပွားရေးလုပ်ငန်းများ အထူးသဖြင့် MSME များကို နောက်ထပ် ထိခိုက်မှုမှ အစိုးရက ကာကွယ်ပေးနိုင်သည့် နည်းလမ်း၊ ပြန်လည်ထူထောင်ရာတွင် ကူညီနိုင်သည့်နည်းလမ်းနှင့် နောက်ဆုံး ကပ်ရောဂါကြီးပြီး ဆုံးသည့်အခါ ၎င်းတို့ကို ရှင်သန်စေနိုင်သည့် နည်းလမ်းတို့အတွက် မဟာဗျူဟာများကို ပံ့ပိုးပါသည်။

ကမ္ဘာ့အဖွဲ့ မငြိမ်မသက်မှုများဖြစ်နေသည့် ကာလအတွင်း မြန်မာနိုင်ငံတွင် ကပ်ရောဂါ၏ ကျန်းမာရေးဆိုင်ရာ နောက်ဆက်တွဲ အကျိုးဆက်များ အလိုက်အထိုက် ငြိမ်သက်နေပြီ ဖြစ်သော်လည်း မြန်မာနိုင်ငံအနေနှင့် ကျန်းမာရေးဆိုင်ရာ ထိခိုက်မှုများကို နိုင်ငံခြားထိန်းချုပ်ရန်၊ လတ်တလော စီးပွားရေး အကျိုးအမြတ်ရရှိမှုများကို ကာကွယ်ရန်နှင့် ဤအကြပ်အတည်းမှ ပြန်လည်ထူထောင်ရန်တင်သောမက စီးပွားရေးစနစ်ကိုပါ ပြန်လည် အသက်သွင်းပေးနိုင်သော မူဝါဒများ ထည့်သွင်းရန် ဆက်လက်ရည်မှန်းရမည်ဖြစ်ပြီး သို့မှသာ ရေရှည်တွင် သာယာဝပြောမည် ဖြစ်ပါသည်။ အခွင့်အလမ်းနည်းပါးသူများနှင့် ထိခိုက်လွယ်သော အုပ်စုများသို့ ငွေကြေးပံ့ပိုးမှုပေးခြင်းသည် ဝင်ငွေဆုံးရှုံးမှုများအတွက် တစ်စိတ်တစ်ဒေသသာ သက်သာစေကြောင်း ကမ္ဘာ့အဖွဲ့မှ သဲလွန်စများက ပြသလျက်ရှိပါသည်။ သို့ဖြစ်၍ အဓိကသင်ခန်းစာမှာ ရောဂါကူးစက် ပျံ့နှံ့မှု တိုးပွားလာသည့် အန္တရာယ်ကို အတတ်နိုင်ဆုံးလျော့ချလျက် အဆိုပါအုပ်စုများ အလုပ်ခွင်သို့ ပြန်ဝင်နိုင်စေမည့် ကျန်းမာရေးနှင့် ဘေးကင်းရေးဆိုင်ရာ လုပ်ထုံးလုပ်နည်းများကို ရှာဖွေရန်ဖြစ်ပါသည်။

ကိုဗစ်-၁၉ ၏ စီးပွားရေးဆိုင်ရာ အကျိုးသက်ရောက်မှုမှာ ကြောက်မက်ဖွယ်ပင်ဖြစ်ပါသည်။ ၂၀၂၀ တွင် မြန်မာ့စီးပွားရေး ဖွံ့ဖြိုးတိုးတက်မှုသည် သုညသို့ ချဉ်းကပ်ရန် ခန့်မှန်းထားပါသည်။ ကိုဗစ်-၁၉ ကာလ စီးပွားရေးအကြပ်အတည်းကြောင့် ဟိုတယ်နှင့် ခရီးသွားလုပ်ငန်းများနှင့် လေကြောင်းလိုင်းများသည် ထိခိုက်နစ်နာဆုံးရှုံးမှု အများဆုံးဖြစ်ပြီး ကုန်သွယ်ရေး အထူးပြု စက်မှုလုပ်ငန်းများ၊ အထည်အလိပ်လုပ်ငန်းများနှင့် အခြားကုန်ထုတ်လုပ်မှုလုပ်ငန်းများသည် ဒုတိယ ထိခိုက်မှုအများဆုံး လုပ်ငန်းများ ဖြစ်ပါသည်။ ကံမကောင်းစွာဖြင့် ဝင်ငွေနည်းပါးသည့် ပြည်သူများ၊

လျစ်လျူရှုခြင်းခံရသူများနှင့် ထိခိုက်ခံစားလွယ်သည့် အုပ်စုများသည် အရင်ကထက်ထိခိုက်ပျက်စီးမှု ပိုများပါသည်။

**ကိုဗစ်-၁၉ ကာလ စီးပွားရေး ကုစားမှု အစီအစဉ် (CERP) အကောင်အထည် ဖော်ဆောင်ရာတွင် အားဖြည့် ကူညီခြင်း။** အကြပ်အတည်း ကာလအတွင်း အစိုးရ၏ ပြန်လည်ကုစားရေး လုပ်ဆောင်ချက်များ ပိုမိုကောင်းမွန်စေရန် ရွေးချယ်စရာ အစီအစဉ် အများအပြားကို အစီရင်ခံစာတွင် ထည့်သွင်းထားပါသည်။ အောက်ဖော်ပြပါ အချက်တို့ကို အကောင်အထည်ဖော်ရန် တိုက်တွန်းထားပါသည်-

- အရေးတကြီးလိုအပ်နေသည့် အစီအစဉ်များကို ဦးစားပေး အကောင်အထည်ဖော်ရန် လမ်းညွှန်ခြင်း။
- အဓိကကျသော မှတ်တိုင်များ သတ်မှတ်ခြင်း၊ အကောင်အထည်ဖော်နေသော အဖွဲ့အစည်းများသို့ လုပ်ပိုင်ခွင့်များ ပေးအပ်ခြင်းနှင့် ၎င်းတို့ကို တာဝန်ခံယူမှုရှိစေခြင်း။
- အစီအစဉ်များကို အနီးကပ်စောင့်ကြည့်၍ နည်းစနစ်တကျ အကဲဖြတ်ခြင်း။
- မြန်မာနိုင်ငံရှိ ဖွံ့ဖြိုးတိုးတက်မှုများပေါ် မကြာခဏ စစ်တမ်းများပြုလုပ်ခြင်းနှင့် ကိုဗစ်-၁၉ တုံ့ပြန်မှုဆိုင်ရာ ကနဦး ဆောင်ရွက်မှုများနှင့် ပတ်သက်ပြီး ပါဝင်ဆောင်ရွက်သူများထံ အစိုးရ၏ အခါအားလျော်စွာ ရှင်းလင်းညွှန်ကြားချက်များ နှင့်အတူ မူဝါဒလုပ်ဆောင်ချက်များကို သတိပြုစောင့်ကြည့်ခြင်း။
- အစိုးရဌာနများ၊ စီးပွားရေး အသိုက်အဝန်းနှင့် ဖွံ့ဖြိုးရေး လက်တွဲဆောင်ရွက်သူများအကြား အဖွဲ့အစည်း အလိုက် ပူးပေါင်းဆောင်ရွက်မှုကို တိုးမြှင့်ခြင်း။
- ပြည်တွင်းနှင့် ပြည်ပရှိ အလျင်အမြန် ဖွံ့ဖြိုးနေသည့် အခြေအနေကို တုံ့ပြန်သည့်အနေနှင့် မူဝါဒရေးဆွဲ အကောင်အထည်ဖော်ရေးတွင် ပိုမိုရိုးရှင်းပြီး ပြုပြင်လွယ်စေခြင်း။
- ဗိုင်းရပ်စ်ကူးစက်ပျံ့နှံ့မှုနှင့် ထိခိုက်သေဆုံးမှုပမာဏ လျော့ချ၍ ရောဂါကိုထိန်းချုပ်နိုင်သော အနေအထားတွင် ဆက်လက်ထားရှိကာ မြန်မာနိုင်ငံ၏ ထူးခြားသောအခြေအနေ၊ ဝိသေသများနှင့် အထူးဆီလျော်အောင် ပြုလုပ်ထားသည့် အဆင့်မြင့်လုပ်ထုံးလုပ်နည်းများ ထည့်သွင်း၍ နိုင်ငံ၏ ထုတ်လုပ်မှုနှင့် ဝင်ငွေကို အမြင့်ဆုံးဖြစ်စေရန် ကူညီခြင်း။

**MSME များကို ငွေကြေး၊ လုပ်ကိုင်နိုင်စွမ်းတို့ ပံ့ပိုးခြင်း။** စီးပွားရေး၏ အဓိကျရိုးဖြစ်သော MSME များ ဆက်လက်ရှင်သန်ရန်နှင့် ၎င်းတို့ ရင်ဆိုင်နေရသော အလွန်များပြားသည့် ဖိအားများကြားမှ ထုတ်လုပ်နိုင်စွမ်းရှိရန်အတွက် အထူးသတိထားရန် လိုအပ်သည်။ အစီရင်ခံစာက မြန်မာနိုင်ငံ၏ MSME အမျိုးအစားများကို အသုံးပြု၍ အုပ်စုတစ်စုစီနှင့် သင့်လျော်အောင်ပြုလုပ်ထားသော ငွေရေးကြေးရေးမူဝါဒများအပြင် ကိုဗစ်-၁၉ အလွန်ကာလ ပြန်လည်ထူထောင်ရေး အဆင့်အတွက် MSME များနှင့် စီးပွားရေး အသိုက်အဝန်းတို့ အဆင်သင့်ဖြစ်စေရန် ကုန်သွယ်ရေးနှင့် ရင်းနှီးမြှုပ်နှံမှုဆိုင်ရာ အကြံပြုချက်အချို့ကိုလည်း ဖော်ပြထားပါသည်-

- အထိုက်အလျောက်ကြီးမားပြီး အရည်အသွေးရှိရှိ ရပ်တည်နေသော အငယ်စားနှင့် အလတ်စား လုပ်ငန်းများ (SME) အတွက် အဓိကဦးစားပေးချက်မှာ ယာယီ အကြွေးဝန်ဆောင်မှု တရားဝင် ဆိုင်းငံ့ပေးထား



ခြင်းအပြင် ၎င်းတို့၏ လုပ်ငန်းလည်ပတ်ခြင်းဆိုင်ရာ စရိတ်စကများနှင့် အလုပ်လုပ်ကိုင်ရန် ငွေပင်ငွေရင်း လိုအပ်ချက်များ ရရှိစေရေးအတွက် ငွေပေါ်လွယ်စေရန် ကူညီခြင်းဖြစ်ပါသည်။ ဤကနဦးလုပ်ဆောင် ချက်တွင် ငွေကြေး ထောက်ပံ့ရန် အစိုးရအနေနှင့် အသုံးစရိတ်၊ မြန်မာနိုင်ငံတော်ဗဟိုဘဏ် (CBM) မှ ရင်းမြစ်များနှင့်အတူ အဖွဲ့ အစည်းနှစ်ခု၊ သုံးခုနှင့်အထက်တို့မှ ထောက်ပံ့ငွေများကို ဖြည့်ဆည်းပေးရပါ မည်။ ထို့နောက် ၎င်းတို့ကို ငွေရေး ကြေးရေးစနစ်တွင်းသို့ စီးဆင်းစေပြီး ငွေချေးရန်စေ့ဆော်မှုများ အတွက် ပူးတွဲဆောင်ရွက်ပြီး ဘဏ်များပါဝင် ဆောင်ရွက်ရေးကို အားပေးရန် လိုအပ်ပါသည်။ သို့ဖြစ်၍ SME များသို့ ချေးငွေသစ်အားလုံးအတွက် ၅၀% ခရက်ဒစ်အာမခံ ထည့်သွင်းမှုက အရေးကြီးသော အခန်း ကဏ္ဍအဖြစ် ပါဝင်လာပါမည်။

- အသေးစားငွေရေးကြေးရေးလုပ်ငန်းများ (MFI) နှင့် ငွေရေးကြေးရေးဆိုင်ရာ သမဝါယမအဖွဲ့များမှ ချေးငွေ အများဆုံး ရယူသည့် မိသားစုပိုင် စီးပွားရေးလုပ်ငန်းငယ်များအတွက်မူ CBM အနေနှင့် အသေအချာ ရွေးချယ်ထားသော ဘဏ်များတွင် အထူးသတ်မှတ်ထားသော SME ငွေကြေးထောက်ပံ့ရေး ဌာနများမှ တစ်ဆင့် ခရက်ဒစ် လိုင်းတစ်ခု ထည့်သွင်းပေးရန် အစီရင်ခံစာက အဆိုပြုထားပါသည်။ ၎င်းက MFI များသို့ ချေးငွေထုတ်ပေးသည့် ဘဏ်အားလုံးကို မှန်ကန်စွာ အလိုအလျောက်ပြန်လည်ထောက်ပံ့ပြီး SME ချေးငွေ ဝင်ရောက်မှုအဆင့်အတွက် လုပ်ကိုင်နိုင်စွမ်းလည်း ပေးအပ်ပါမည်။ “လွတ်နေသော အလယ်အလတ် အဆင့်” (ဘဏ်များမှချေးငွေရရှိရန် အလွန် ငယ်ပြီး MFI များမှချေးငွေရရှိရန် အလွန်ကြီးနေသော) SME များသို့ ရင်းမြစ်များ ရောက်ရှိစေရန်အတွက် အစိုးရ ထိန်းချုပ်သော MFI ချေးငွေ ကန့်သတ်ချက်ကို မြန်မာ ကျပ် ၁၀ သန်းမှ သိသာစွာမြှင့်တင်ပေးရန် အရေးကြီးပါသည်။ အရည်အသွေးရှိရှိ ရပ်တည်နေသော SME များအတွက်မူ MSME များသို့ MFI များက ကမ်းလှမ်းသော ချေးငွေ အသစ် အားလုံး၏ ၅၀% ကို အာမခံ ပေးခြင်းဖြင့် SME အငယ်စားများအတွက် ပြန်လည်ထောက်ပံ့မှုဆိုင်ရာ အစီအစဉ်များကို အစိုးရက ပေးအပ် နိုင်သည်။
- MFI နှင့် သမဝါယမအဖွဲ့များမှ အုပ်စုများဖြင့် (အုပ်စုအာမခံဖြင့်) လည်းကောင်း၊ မိသားစု၊ ဆွေမျိုးများ၊ မိတ်ဆွေ များနှင့် ငွေချေးသူများကဲ့သို့ တရားဝင် မဟုတ်သော ရင်းမြစ်များမှ တစ်ဦးစီလည်းကောင်း ရင်းမြစ်အမျိုးမျိုးမှ ငွေချေးသော ဝမ်းစာဖူလုံရုံ အသေးစားလုပ်ငန်းများအတွက် အစီရင်ခံစာက ဤသို့ အကြံပြုထားပါသည်။ MFI များနှင့် မိုဘိုင်းငွေရေးကြေးရေး ဝန်ဆောင်မှု (MFS) ပေးအပ်သူများ နှစ်မျိုး ပေါင်းမှကဲ့သို့ ကျေးလက်နှင့်မြို့ပြနေ ချို့တဲ့သူများအတွက် ရေးဆွဲပြင်ဆင်ထားသော အစီအစဉ်များမှ တစ်ဆင့် အကြွင်းမဲ့ငွေလွှဲမှုများ ပေးအပ်ရန် ဖြစ်ပါသည်။
- ကုန်သွယ်မှု၊ ရင်းနှီးမြှုပ်နှံမှုတို့နှင့် စပ်လျဉ်းပြီး ကုန်သွယ်မှုနှင့် ရင်းနှီးမြှုပ်နှံမှုကို ဖိတ်ခေါ်ရန်၊ အဓိကကုန် သွယ်မှု နှင့် ရင်းနှီးမြှုပ်နှံမှု နယ်ပယ်များတွင် အဖွဲ့အစည်းဆိုင်ရာ ဆောင်ရွက်နိုင်စွမ်းများ တည်ဆောက်

ရန်၊ မြန်မာနိုင်ငံ ကို ထောက်ပံ့ပို့ဆောင်ရေး ဌာနချုပ်အဖြစ် ထားရှိရန်အတွက် ကုန်သွယ်မှုချောမွေ့စေရေးနှင့် ထောက်ပံ့ပို့ဆောင် ရေးကို အရည်အသွေးမြင့်တင်ရန်၊ MSME များအတွက် ကျွမ်းကျင်မှုများ ပံ့ပိုးပေးရန်နှင့် ၎င်းတို့၏ တင်ပို့မှုဆိုင်ရာ ယှဉ်ပြိုင်မှုများ ပိုမိုကောင်းမွန်စေရန် ကုန်သွယ်ဘဏ္ဍာ ပံ့ပိုးပေးရန်၊ နိုင်ငံခြားတိုက်ရိုက် ရင်းနှီးမြှုပ်နှံမှုနှင့် ပြန် လည်မြှုပ်နှံမှုများ ဆက်လက်ထားရှိရေးအတွက် လက်ရှိ ရင်းနှီးမြှုပ်နှံသူများအား တိုက်တွန်းရန်၊ အဆင့်မြင့် နောက်ဆက်တွဲဝန်ဆောင်မှုများ ပံ့ပိုးပေးရန်နှင့် PPP များ ရေးဆွဲရေး၊ တင်ဒါသွင်းရေး၊ ညှိနှိုင်းရေးနှင့် စီမံအုပ်ချုပ် ရေးအတွက် အထူးသဖြင့် ဗျူဟာမြောက် အခြေခံအဆောက်အအုံ စီမံကိန်းများအတွက် အစိုးရ ပုဂ္ဂလိက လက်တွဲဆောင်ရွက်မှု (PPP) ကို အား ဖြည့်ရန်အတွက် စည်းမျဉ်းများ အလျင်အမြန်ပြောင်းလဲပေးရန် ဆောင်ရွက်မှု များကို အစီရင်ခံစာက တောင်းဆိုပါသည်။

**ပြန်လည်ထူထောင်ရေး ကုစားမှု။** အစီရင်ခံစာ တစ်ခုလုံးတွင် ကိုဗစ်-၁၉ အကြပ်အတည်းကာလအတွင်း ကုစားမှုမှ ပြန်လည်ထူထောင်ရေးအထိ ကူးပြောင်းရာတွင် ပုဂ္ဂလိကအခန်းကဏ္ဍ၏ အရေးပါပုံကို မီးမောင်းထိုးပြထားသည်။ ထို့အပြင် ပုဂ္ဂလိကအခန်းကဏ္ဍ ဖွံ့ဖြိုးရေး (PSD) အတွက် အကြပ်အတည်းမတိုင်မီ ပြုပြင်ပြောင်းလဲရေး အရှိန် အဟုန်ကို ထိန်းသိမ်းထားနိုင်မှုကလည်း အရေးပါကြောင်း ဖော်ပြထားသည်။ အစီရင်ခံစာတွင် ကပ်ရောဂါ၏ လာမည့်အဆင့်များမှတစ်ဆင့် စီးပွားရေးစနစ်ဖော်ဆောင်ရန် လက်ငင်း ပြန်လည်ထူထောင်ရေး ဦးစားပေးချက် ၃ ခုကို ဖော်ပြထား သည်။ ၎င်းတို့မှာ ပိုမိုပြင်းထန်သော ပိတ်ဆို့မှုများအတွင်း အဆင့်မြင့်ဆောင်ရွက်ချက်များ တိုးမြှင့် အသုံးပြုကာ ကျန်းမာစွာနေထိုင်ခြင်း၊ ပုံမှန်မဟုတ်သော စီးပွားရေးနှင့် လူမှုရေး ရိုက်ခတ်မှုများအပြင် ရာသီဥတု ပြောင်းလဲမှုနှင့် ဆက်နွယ်သော ပြင်းထန်မိုးလေဝသ ဖြစ်ရပ်များကြောင့် လာမည့်လနှင့် နှစ်များအတွင်း ပြည်တွင်း၊ ပြည်ပတွင် မလွဲ မသွေ ပေါ်ပေါက်လာမည့် အန္တရာယ်များကို စီမံခန့်ခွဲခြင်းနှင့် တရားဝင် ငွေရေးကြေးရေး စနစ်မှ တစ်ဆင့် ငွေပေါ်လွယ် စေရန် လုပ်ဆောင်ချက်များ အသုံးပြုခြင်းအပါအဝင် MSME များ ဆက်လက်လုပ်ငန်း လည် ပတ်စေခြင်းတို့ ဖြစ်ပါ သည်။ အဆိုပါ ဦးစားပေးချက် ၃ ခုကို ဥပဒေနှင့် စည်းမျဉ်းသတ်မှတ်သည့် အဖွဲ့အစည်းများ ရလဒ်များ၊ ကုန်သွယ်ရေး နှင့် ရင်းနှီးမြှုပ်နှံမှု မူဝါဒများ၊ နိုင်ငံပိုင်လုပ်ငန်းများ အခန်းကဏ္ဍနှင့် လူသားအရင်းအနှီး ဖွံ့ဖြိုးရေးတို့အားလုံး ပါဝင် သည့် အလယ်အလတ်အဆင့် PSD ပြန်လည်ဖော်ဆောင်ရေး အစီအစဉ်ကို အထောက် အပံ့ဖြစ်စေသော လုပ်ဆောင်ချက်များနှင့်အတူ ဆောင်ရွက်ရပါမည်။

ကိုဗစ်-၁၉ က မီးမောင်းထိုးပြထားသည့် အဓိက ကြားဖြတ် အကြောင်းအရာများတွင် ကျား၊ မနှင့်လူမှုရေးဆိုင်ရာ အများပါဝင် အကျိုးခံစားခြင်း၊ စီးပွားရေးလုပ်ငန်းများကြောင့် ဖြစ်ပေါ်လာသော လူမှုရေးသက်ရောက်မှုများနှင့် နွမ်းပါးသောဒေသများတွင် ဒေသဆိုင်ရာ စီးပွားရေးဖွံ့ဖြိုးမှုတို့ ပါဝင်သည်။

## 1. Introduction and Background

The COVID-19 pandemic has slowed, although not derailed, Myanmar's economic progress. So far, Myanmar has not faced the same dire health situation as many other countries around the world. Myanmar's economy has nevertheless been hit hard by an economic crisis that engulfed the entire world economy with unprecedented speed and a severity that may eventually rival that of the Great Depression. Amidst this global turmoil, Myanmar's goal should be to protect its recent economic gains and introduce policies that not only help it recover from the crisis, but also revitalise its economy so it prospers in the long term.

Protect, recover, revitalise, prosper—these are 4 inextricably linked objectives that need to govern Myanmar's overall strategy through this crisis and beyond. Actions taken in the heat of a crisis have short-term as well as long-term implications. Urgent actions to combat the crisis need to be consistent with medium and longer-term economic reforms. If anything, the crisis should accelerate reforms, not slow them. The urgent should not trump the important. Myanmar can deal with the crisis while also laying the foundations for faster and more resilient and sustainable growth once the crisis fades.

This paper aims to contribute towards identifying such policies, especially as they apply to micro, small and mid-sized enterprises (MSMEs). It examines Myanmar's position in the global spread of COVID-19 and the pandemic's impact on the economy and also provides a strategic view on how the government can **protect** businesses—particularly MSMEs—from further harm, help them **recover**, and then eventually **revitalise** them to **prosper** post-COVID-19.

MSMEs constitute the backbone of Myanmar's economy. They make up 99% of all businesses in the country, account for the bulk of total employment outside agriculture, and play a critical role in delivering goods and services throughout the economy, whether in rural or urban areas. They are an essential part of the business ecosystem in Myanmar with backward linkages to the large agricultural sector and forward linkages necessary for the development of large enterprises and foreign-invested firms. Being small, they have little choice but to be competitive and dynamic. If nurtured and supported with sound economic policies, they can be a cradle for entrepreneurship, broad-based skills development, and incubators of innovation, and can also provide a springboard for Myanmar's future generation of internationally competitive exporters and large businesses.

MSMEs are a focus of this paper because, as the following pages will attest, they have been hit particularly hard by the COVID-19 crisis. They populate parts of the economy—garments manufacturing, tourism, urban and rural services, agro-processing—that have been affected the most by global supply chain disruptions, by border closings, and by policy-driven lockdowns. At the same time, they are largely unbanked, rely on microfinance institutions and informal sources to raise investment and working capital, and do not have the resources to access government support programmes. Yet, their survival is critical for the health of medium and large enterprises that depend on MSMEs for inputs of goods and services, as well as sales, marketing, and after-sales support. Indeed, protecting MSMEs from the worst effects of the crisis and assisting them in recovering will help preserve capital, production capacity, employment, poverty reduction gains, and support for other branches of the economy. A litmus test of whether Myanmar's strategy is focused on broad-based, inclusive, and sustainable growth will be the degree to which its crisis-related and longer-term development policies pay special attention to MSMEs.

**The Working Committee to Address Coronavirus Disease (COVID-19) Economic Impact and Task Force<sup>1</sup>:** The Working Committee to Address Coronavirus Disease (COVID-19) Economic Impact was formed on 13 March 2020 and comprises most ministers responsible for enhancing private sector development.<sup>2</sup> It is chaired by the Minister for Investment and Foreign Economic Relations. The Committee’s terms of reference require it to address the economic consequences of COVID-19—especially declining trade and tourism, supply chain disruptions in garments, textiles, and other manufacturing, job losses across most sectors, and challenges faced by MSMEs. The Committee’s mandate covers the same policy areas as the private sector development elements of the Myanmar Sustainable Development Plan (MSDP), the ambitious COVID-19 Economic Relief Plan (CERP)<sup>3</sup> and the Private Sector Development (PSD) Framework and Action Plan. The Committee’s high-level membership positions it well to mobilise and allocate resources in support of immediate measures to deal with the economic fallout of the crisis as well as promote reforms to support longer-term recovery post-COVID-19. A Committee Task Force, chaired by the Yangon Planning and Finance Minister, was formed on 14 May to analyse the impact of the COVID-19 pandemic on business, recommend priority actions to the Committee, and oversee lending activities contained in the Working Capital Stimulus Package.

**Technical Assistance to the Committee:** At the Committee’s request, the DaNa Facility, the International Trade Centre (ITC), and United Nations Capital Development Fund (UNCDF), are supporting it and the SME Center in assessing and responding to the real sector impacts of the COVID-19 crisis.<sup>4</sup> These three international organisations will assess the real impact of COVID-19 and produce technical policy notes to support implementation of specific actions (largely under Goal 2 of the CERP) related to financial inclusion, trade and investment, MSME development, agribusiness, tourism, manufacturing, and private sector development.

**DaNa Facility’s previous work on private sector development:** In mid-2019, the DaNa Facility, with inputs from other development partners, commenced work with the Government of Myanmar in developing an innovative Public-Private Dialogue (PPD) platform, complemented by an update of the PSD Framework and Action Plan.<sup>5</sup> The project aimed to:

- Support the establishment of an improved PPD platform and pilot a series of policy reforms through this platform
- Deliver an updated PSD Framework and Action Plan aligned with the MSDP
- Explore innovative approaches to incorporate cross-cutting themes in the PSD Framework and Action Plan (such as PSD strategies in states and regions, social inclusion, environmental protection, inclusive and responsible businesses, and decent work).

<sup>1</sup> A summary of the various committees and institutions set up to deal with COVID-19 challenges is in Annex 3.

<sup>2</sup> The exception is the Minister for Agriculture, Livestock and Irrigation who would be a useful addition

<sup>3</sup> Issued by the Ministry of Planning, Finance and Industry (MoPFI) on 27 April.

<sup>4</sup> The DaNa Facility ([www.danafacility.com](http://www.danafacility.com)) is a UK Aid-funded programme (implemented by DAI Europe and KPMG) established in May 2016 as a component of UK Aid’s wider Business for Shared Prosperity programme—it supports inclusive economic growth and private sector development in Myanmar through responsible and sustainable business growth, investment and trade; The International Trade Centre ([www.intracen.org](http://www.intracen.org)) is a joint agency of the World Trade Organisation and the United Nations and assists small and medium-sized enterprise in developing and transition economies to become more competitive in global markets, thereby contributing to sustainable economic development within the frameworks of the Aid-for Trade agenda and the United Nations’ Sustainable Developments Goals. ITC has been implementing a variety of projects related to trade, investment and tourism in Myanmar; UNCDF ([www.uncdf.org/en/myanmar](http://www.uncdf.org/en/myanmar)) has been implementing a variety of projects that improve financial inclusion particularly for those not served or marginally served such as women and people living in rural areas since 2012; UNCDF makes public and private finance work for the poor in the world’s 47 least developed countries and with its capital mandate and instruments, it offers “last mile” finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development

<sup>5</sup> The project was endorsed by the Minister of Commerce on 18 March 2019

The onset of the COVID-19 crisis, however, forced the DaNa Facility to redirect its efforts to crisis response activities. But in doing so, the central tenet has remained that the government needs to leverage and support the private sector's strengths and resilience in steering the Myanmar economy through the crisis while positioning it for rapid, inclusive, and sustained economic growth in the post-COVID era.

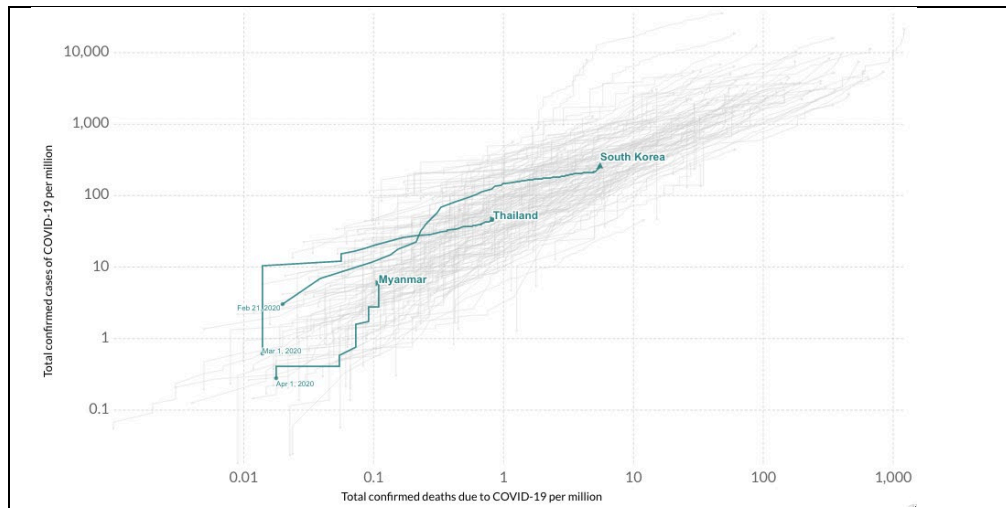
As the global pandemic has raged, DaNa and its partners have worked with The Working Committee to Address Coronavirus Disease (COVID-19) Economic Impact and other government agencies to assess the impacts of the crisis and assist with mitigation measures. One major output will be a Post-COVID-19 Economic Action Plan that will integrate lessons learned from COVID-19 into an update of the PSD Framework and Action Plan scheduled for completion in December 2020. In the meantime, the DaNa Facility will work with the government to ensure that the proposed actions to deal with the COVID-19 crisis will not only be consistent with the core principles of the PSD Framework and Action Plan and the planned strengthening of the policy reform PPD mechanism, but will push the reform agenda forward so that the economy can transition rapidly from COVID-19 relief to recovery and resumes rapid, inclusive, and sustained growth.

This paper, which is based in part on various policy notes that have preceded it, is a key step in that direction. It aims to draw together an analysis of the impacts of the COVID-19 pandemic on the real sector and lay out some policy recommendations on next steps in relief activities, as well as key directions for the transition to the post-COVID-19 period.

## 2. The COVID-19 Crisis—The Context and Lessons Learned

On 23 March 2020, Myanmar became the 193rd country out of 215 countries and territories to report its first COVID-19 case to the World Health Organisation (WHO).<sup>6</sup> It took another 6 days before it reported its first COVID-19 death.<sup>7</sup> Through 10 July, it has officially reported 321 cases and 6 deaths, the majority in or near Yangon (see Figure 1).<sup>8</sup>

**Figure 1: Myanmar's COVID-19 Trajectory Compared to Thailand and South Korea**  
(Total confirmed COVID-19 cases vs. deaths per million, 22 Jan 2020 to 10 July 2020)



**Note:** Axes are in log scale, and both measures are expressed per million people

**Source:** Our World in Data

Compared to other countries, Myanmar's official counts of COVID-19 infections and deaths are so far among the world's lowest and are in line with some other Southeast Asian countries, notably Laos, Vietnam, and Cambodia (see Figure 2). The COVID-19 death rate in Myanmar also pales into insignificance when compared to the mortality rate from other causes of death. Even if the official COVID-19 death estimate were to be multiplied by a thousand, it would still not count as a top-10 killer in Myanmar (see Figure 3).<sup>9</sup>

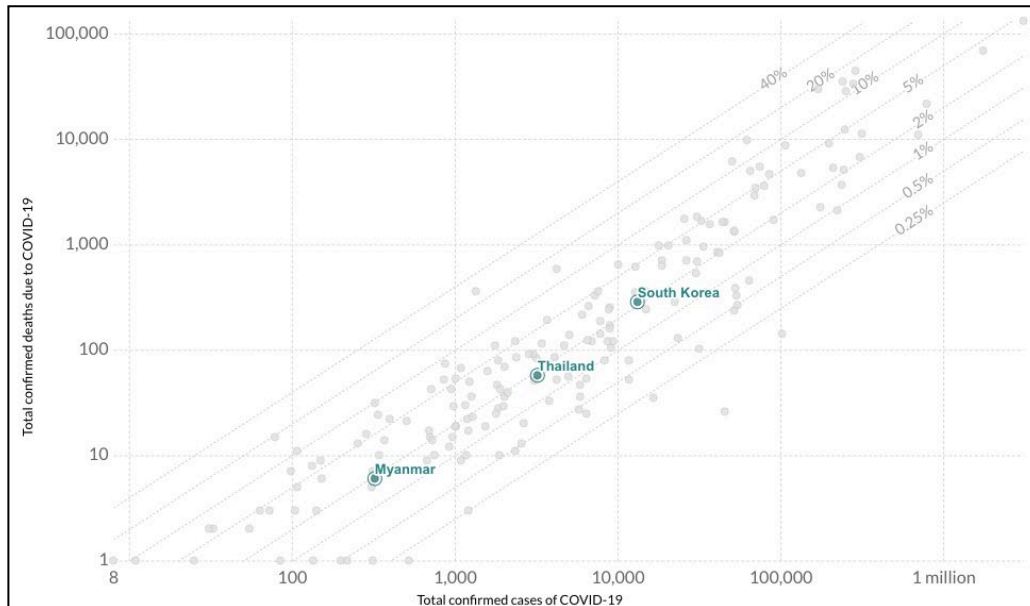
<sup>6</sup> Although most indications are that the virus was circulating in China in December 2019 (some argue that it could have been circulating several months earlier), Chinese officials reported their first COVID case to the WHO on 11 January 2020 and 4 days later, on 15 January 2020, Thailand became the first country outside China to report a COVID-19 case; so considering that Myanmar shares a border with Thailand, it is surprising that it took over 2 months before Myanmar registered its first case with the WHO

<sup>7</sup> The victim was a 69-year-old Myanmar national who had received medical treatment in Australia for a month and returned to Yangon on 14 March 2020; see Reuters, 'Myanmar reports first coronavirus death as case numbers rise', 30 March 2020, accessed 13 July 2020 at <https://www.reuters.com/article/us-health-coronavirus-myanmar/myanmar-reports-first-coronavirus-death-as-case-numbers-rise-idUSKBN21I0EC>

<sup>8</sup> As of 17 June 2020

<sup>9</sup> In the US, for example, COVID-19 became the leading cause of death in April 2020

**Figure 2: Myanmar's COVID-19 Cases and Fatalities in International Context**  
**(Total confirmed COVID-19 deaths vs. cases, July 10, 2020; axes are in log scale)**



**Note:** The grey lines indicate the corresponding case fatality rates (the ratio between confirmed cases and confirmed deaths).

**Source:** Our World in Data

The coronavirus has been ravaging the world for 6 months and Myanmar for about 4 months, and while the epidemiology of the virus is still being studied, the unprecedented sharing of data around the world and intense scrutiny of the numbers has begun to reveal some important lessons. These include the more obvious ones that up to 45% of those infected remain asymptomatic, that another 35% or so display mild symptoms, and that, of the remaining 20% who fall seriously ill, about 5% require intensive care treatment.<sup>10</sup> Of those who fall seriously ill, most tend to be over the age of 65, and men tend to outnumber women. Countries with weaker health systems and greater levels of urbanisation are expected to have higher mortality rates, and there is little compelling evidence so far that ambient temperatures or previous exposure to other infectious diseases or vaccines has any effect on the spread of the virus or the severity of its effects.

There is now growing recognition around the world, especially in poor countries, that stringent lockdowns tend to impose high economic costs that do not justify the health benefits. In Myanmar, this dilemma is accentuated by the relatively limited spread of the virus so far. Most mainland Southeast Asian countries (Vietnam, Laos, Cambodia, and Thailand) face a similar challenge.

The contrasting experience and strategies of two of these countries—Thailand and Vietnam—may yield potentially useful lessons. Thailand for example, has been extremely cautious in reopening the economy after the initial lockdown. The easing was conducted in 4 phases with each phase lasting two weeks during which the spread of the virus was kept under close watch. In the latest phase, despite no reported community transmissions in 6 weeks, the government has nevertheless extended the emergency until 31 July.<sup>11</sup>

<sup>10</sup> Oran DP and others, 'Prevalence of Asymptomatic SARS-CoV-2 Infection: A Narrative Review', *Annals of Internal Medicine*, 3 June 2020 accessed 13 July 2020 at <https://doi.org/10.7326/M20-3012>

<sup>11</sup> WHO has reported that all known official COVID-19 cases in Thailand for 42 days have been of Thai nationals who have returned from abroad

Vietnam's handling of the crisis also yields important lessons. Despite its population size and proximity to China, not only has it reported no deaths from COVID-19, but it has not had a single community transmission case for 85 consecutive days (as of 13 July 2020). Perhaps the single most important explanation for this remarkable record is that Vietnam acted to stem the pandemic before a single case was recorded—it has had 369 cases since. Well before other countries even recognised the gravity of the situation, Vietnam's health ministry had issued prevention guidelines, ordered monitoring of borders, and introduced testing, tracking, and isolation of positive cases in quarantine centres. Given Vietnam's previous experience with similar viruses, people were already aware of basic preventive measures such as mask wearing and hand-washing, co-operated fully with the authorities, and willingly followed instructions from the health ministry.

**Figure 3: Myanmar: Top 10 Causes of Death**

| Cause of death                        | Deaths per year |
|---------------------------------------|-----------------|
| Malignant neoplasms                   | 53,965          |
| Stroke                                | 49,919          |
| Ischaemic heart disease               | 31,288          |
| Cirrhosis of the liver                | 25,545          |
| Tuberculosis                          | 24,704          |
| Chronic obstructive pulmonary disease | 22,198          |
| Lower respiratory infections          | 20,308          |
| Diabetes mellitus                     | 16,882          |
| Asthma                                | 12,688          |
| Hypertensive heart disease            | 12,206          |
| Diarrhoeal diseases                   | 11,941          |
| <b>Memo item:</b>                     |                 |
| COVID-19 (as of July 10, 2020)        | 6               |

**Note:** Top ten mortality rates in 2016 applied to 2019 population

**Source:** WHO<sup>12</sup>

Based on these and other experiences worldwide, a two-pronged strategy to slow the spread of the virus appears to be emerging as the most advisable: the use of aggressive communications strategies to actively promote individual behaviours that limit the spread of the virus (washing hands, wearing masks, social distancing, avoiding crowds, and shielding the elderly from contact with others); and monitoring the spread of the virus through testing and tracing, and isolating those who test positive as well as those with whom they may have come into contact. In Myanmar, special attention will also need to be paid to potential hotspots that could include areas where returning migrants may have congregated.

As the following chapters will show, the multidimensional nature of Myanmar's COVID-19 crisis has inflicted severe economic costs. And while these heavy costs have been incurred throughout the country, the urban poor engaged in non-essential services and the rural poor engaged in on-farm and off-farm activities have arguably been the most deeply affected. Evidence from around the world shows that fiscal support to such vulnerable groups has only partly compensated for income losses. A key lesson, therefore, is to identify health and safety protocols that will allow these groups to return to work while minimising the risk of accelerating the spread of the disease.

<sup>12</sup> WHO, 'Disease burden and mortality estimates: Cause-specific mortality, 2000–2016', Accessed 13 July 202 at [https://www.who.int/healthinfo/global\\_burden\\_disease/estimates/en/](https://www.who.int/healthinfo/global_burden_disease/estimates/en/)



### 3. Economic Impact of the COVID-19 Crisis on Myanmar's Business Community

#### 3.1 Impact at the Macro Level

**GDP growth in 2020:** The COVID-19 crisis is generating a sharp reversal in Myanmar's economic fortunes. Given the immense uncertainty of the global course of the crisis, GDP growth projections should be interpreted with care and with greater-than-normal margins of uncertainty surrounding them. The International Monetary Fund (IMF), which published its forecasts in April, has already revised these projections downward and will probably do so yet again before the year is out. Much will depend on the evolving spread of the virus, the effect of government policies around the world, and other uncertainties including ongoing trade and technology tensions between the United States and China.

**Figure 4: IMF: Projections of GDP and GDP Per Capita Growth Rates, 2019-2020**

|                              | Percent change in GDP<br>(constant prices)       |                      |        |
|------------------------------|--|----------------------|--------|
|                              | 2019   | 2020<br>(projection) | Change |
| World                        | 2.9  | -4.9                 | -7.8   |
| Emerging and developing Asia | 5.5  | -0.8                 | -6.3   |
| ASEAN-5                      | 4.8  | -2.0                 | -6.8   |
| Myanmar                      | 6.5  | 1.8 <sup>a/</sup>    | -4.7   |
|                              | Percent change in GDP per capita<br>(PPP prices) |                      |        |
| Emerging and developing Asia | 4.6  | 0.2                  | -4.4   |
| ASEAN-5                      | 3.8  | -1.7                 | -5.5   |
| Myanmar                      | 5.7  | 1.1                  | -4.6   |

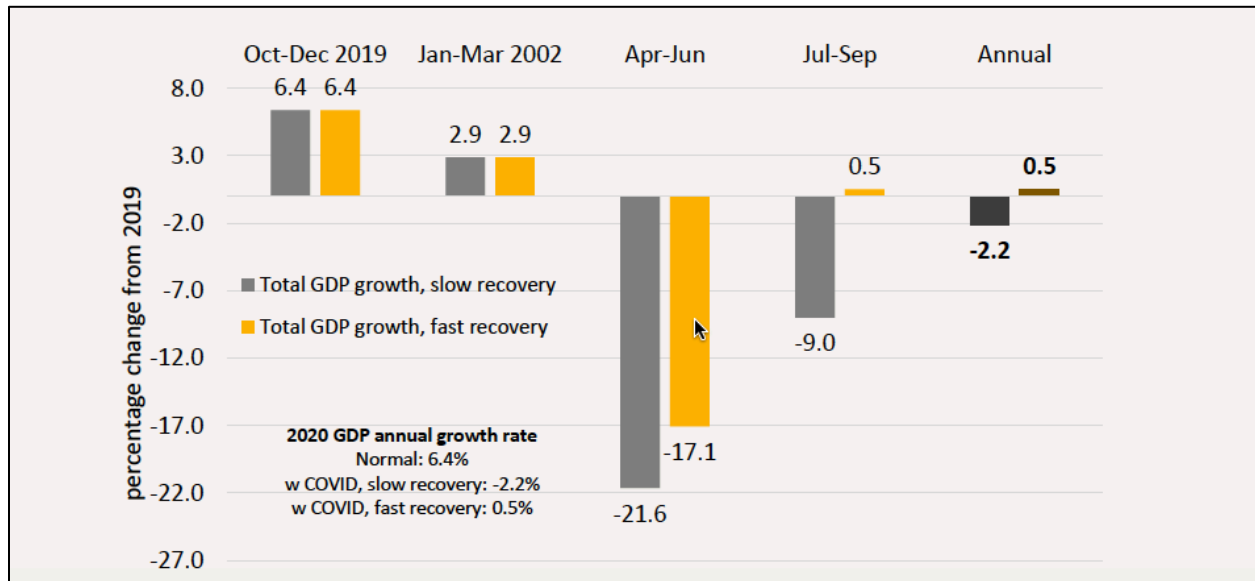
Source: IMF<sup>13</sup>

The IMF's current projections indicate that Myanmar's growth will remain barely positive despite a deceleration of 4.7 percentage points (see Figure 4). If the outturn matches the projections, Myanmar's GDP growth performance would be almost 5 percentage points better than the world average and 2.5 percentage points better than the ASEAN-5 average. The World Bank also shows Myanmar with positive growth in 2020, only slightly below ASEAN's leader—Vietnam—despite the fact that its neighbour, Thailand, is expected to see GDP shrink by 5% in 2020. Finally, the model generated by the International Food Policy Research Institute (IFPRI) shows that even with rapid recovery, Myanmar will register positive GDP growth of just 0.5%, but if the recovery were slow, then it could see negative growth of -2.2% (see Figure 5).<sup>14</sup>

<sup>13</sup> IMF, 'World Economic Outlook Database: April 2020 Edition' accessed 13 July 2020 at <https://www.imf.org/external/pubs/ft/weo/2020/01/weodata/index.aspx>

<sup>14</sup> Diao Xinshen and others, 'Assessing the impacts of COVID-19 on Myanmar's economy: A Social Accounting Matrix (SAM) multiplier approach, Myanmar SSP Policy Note 5', International Food Policy Research Institute, accessed 13 July 2020 at <https://doi.org/10.2499/p15738coll2.133745>

**Figure 5: Myanmar: Two Scenarios for Projected Quarterly and Annual Growth Rates FY2020**



Source: IFRI, Source: IFRI: Assessing the impacts of COVID-19 on Myanmar's economy

**GDP growth in 2021:** Current IMF and World Bank projections show a sharp rebound in growth rates in 2021, but these should be viewed with even greater caution as the uncertainties are arguably much larger. Even if a vaccine were to be found soon and produced in record amounts at record speeds—an unlikely scenario—the economic scars inflicted by the crisis will mean that the global economy will likely take a few years to limp back to its earlier pace of expansion. Businesses once closed cannot just as easily reopen. The longer that workers remain unemployed, the more challenging it will be to find new jobs; this is especially true of migrants who have returned home. For example, the approximately 75,000 migrants who have returned to Myanmar may find it difficult to return to their pre-COVID jobs if the countries where they used to work (mainly Thailand, Malaysia, Singapore, South Korea, and Japan) impose strict controls on foreign workers, especially if they see migrants as a health risk or if their economies have still not returned to full capacity.

Furthermore, Myanmar, like most developing countries, is accumulating large external debts to finance its countercyclical fiscal policies, and these debts will add to the country's already heavy economic burden. In addition, Myanmar has been a recent entrant in global value chains, which COVID-19 has torn asunder. The process of rebuilding these will involve a certain amount of redesign to make them more resilient to shocks which may or may not benefit Myanmar. In any case, it will take some time before foreign direct investment resumes, let alone reach previous levels. And all this does not take into account uncertainties that cannot be foreseen, such as the impact of climate change, extreme weather events, and other natural hazards, not to mention possible flare-ups within Myanmar's own internal fault lines, including ethnic insurgencies, unrest in Rakhine, and upcoming elections later in 2020.

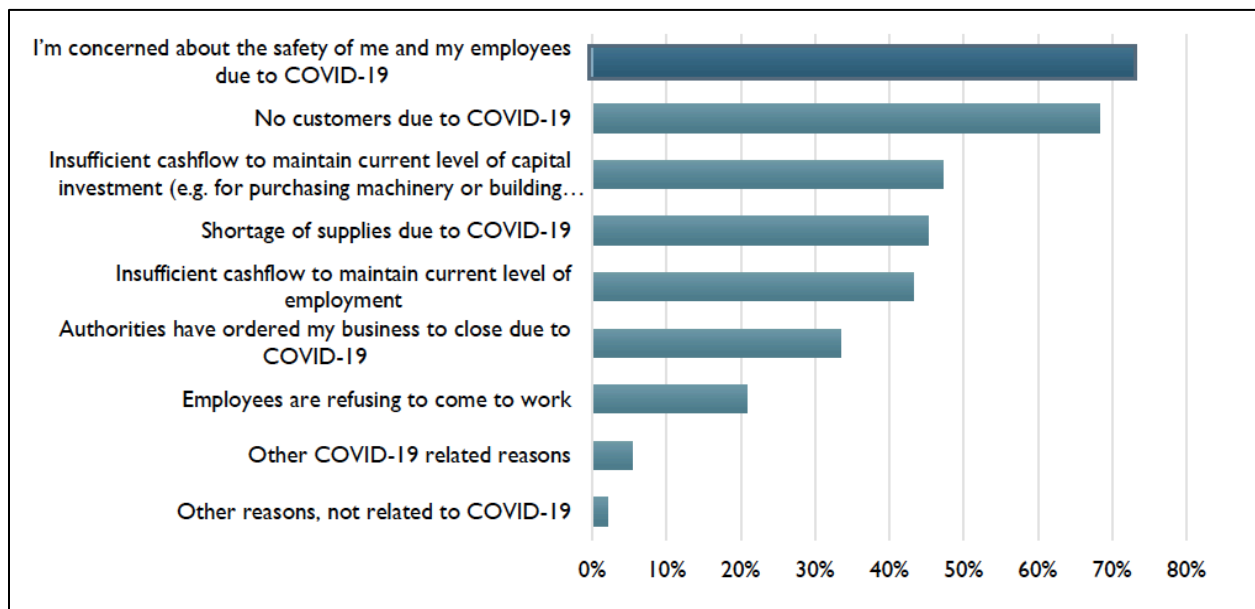
**Multiple shocks:** Like every other country in the world, Myanmar's economy is reeling from multiple shocks—disrupted external markets, dislocated supply chains, collapsed international commodity prices, a sudden stop in tourism, a sharp reduction in remittances, a policy-induced lockdown, concerns for worker safety that hit domestic production, and a sharp increase in precautionary savings. These have all had a negative multiplier effect on domestic demand. Most parts of the economy have not been spared. Those hurt the most have been exporters and

providers of contact-intensive non-essential services—travel, tourism, hotels, restaurants, and domestic services. The urban and rural poor and near-poor engaged in informal services have been especially hard hit and the poverty rate is likely to rise sharply. The government's countercyclical fiscal policies are likely to compensate for only a very small share of the economic losses incurred. Those hurt the least have been utilities, e-commerce, logistics, tech-based companies, the civil service (including the military), and high-income service providers who can work from home.

### 3.2 Impact at the Micro Level<sup>15</sup>

**Impact on businesses:** A 2020 survey of 750 Myanmar businesses around the country conducted from 28 April to 10 May, just after the April Thingyan holiday found that 29% had closed while 92% were reporting lower sales, and 74% of them said sales were sharply lower. Some 50% considered their probability of closing between moderate and high, with hotels, the food and beverage sector and manufacturing affected the most, while garments and textiles were at particularly high risk.<sup>16</sup> The reasons for lower-than-normal operations included worker safety, lack of demand, insufficient cash flow, supply shortages, and adherence to official lockdown rules (see Figure 6). Firms reported sharply lower borrowing from banks but increased their dependence on microfinance institutions (MFIs) and informal lenders for access to finance. Finally, over two-thirds of the businesses surveyed said they had not heard of the government's emergency loan schemes and other support measures in the CERP; over a quarter said they had heard of these programmes but had not yet applied; and of the remaining 6% who had applied, over a third found the process too difficult while 15% had been rejected and most of the rest were awaiting a decision.

**Figure 6: Reasons for Businesses Operating Below Normal**



**Source:** The Myanmar Business Environment Index

<sup>15</sup> A comprehensive list of research papers, surveys, and related materials is presented in Annex 2.

<sup>16</sup> The DaNa Facility and The Asia Foundation, 'Myanmar Business Environment Index (MBEI) Covid-19 Impact on Businesses: A Survey', 5 June 2020, accessed 14 July 2020 at [https://asiafoundation.org/wp-content/uploads/2020/06/Myanmar-Business-Environment-Index-Covid-19-Impact-on-Businesses\\_EN.pdf](https://asiafoundation.org/wp-content/uploads/2020/06/Myanmar-Business-Environment-Index-Covid-19-Impact-on-Businesses_EN.pdf)

The World Bank's national survey of firms revealed broadly similar findings: 89% reported a reduction in sales while agricultural firms were more likely to report cash flow shortages and reduced access to credit. About a third of firms owned by women reported diminished access to credit compared to a quarter of firms owned by men.<sup>17</sup>

**Impact on exporters.** A survey of the export sector in June 2020 found equally dispiriting results.<sup>18</sup> About 76 percent of those surveyed were moderately to seriously hurt by the pandemic, with tourism, textiles, garments, and rubber being the worst hit. Small companies appear to be hurting more than large ones. Rice is one commodity export, however, that has seen higher international prices, thanks to lockdowns in exporting countries and higher demand in importing countries.

- The survey shows that 50% of Myanmar companies faced reduced demand from their top 5 customers, while 18% had to cope with cancelled or returned orders (see Figure 7).
- More than half of companies anticipated orders would decrease in the 3 months following the survey. Among them, 19% expected a severe decline of more than 20%. There are also signs of uncertainty associated with the global economic downturn, as 36% of the businesses could not confirm their order book for the following 3 months.
- Some 40% of the companies interviewed reported having difficulty exporting their products because of the crisis. Purchasing inputs was also challenging in 34% of cases, whether sourced from abroad (18%) or domestically (16%).
- Delays due to increased border checks and closures affected more than half of the businesses operating internationally. Other major procedural issues cited include additional sanitary regulations and procedures (22%) and difficulties in logistics arrangements and shipping (20%).
- Among the government measures to help cope with the crisis, tax waivers or temporary tax breaks (26%), financial programmes (24%), and rent subsidies or waivers or postponement of utility bills (18%) were the 3 most preferred measures. This outcome highlights the financial distress caused by COVID-19 and the need for a stimulus package to cushion the impact.

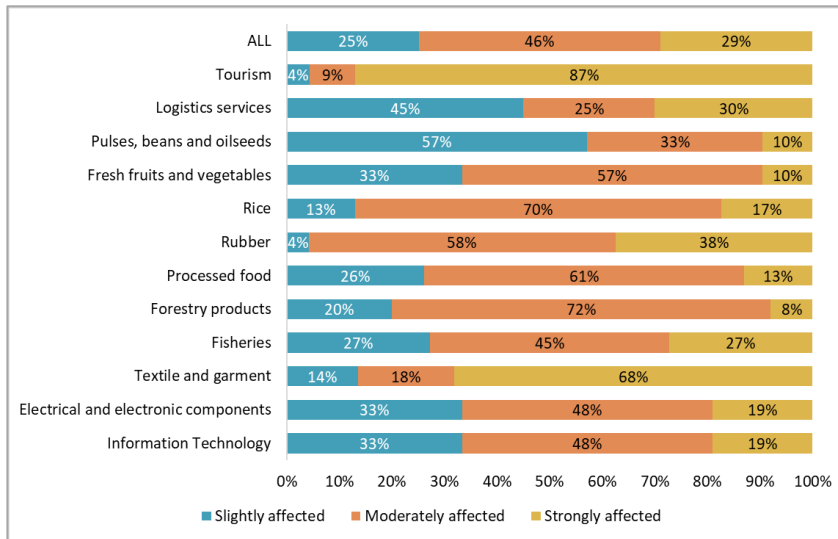
The garment industry has been among those that have been severely hit. As the crisis took hold in the advanced economies, most international brands immediately cancelled their purchase orders and many cancelled existing contracts with Myanmar exporters. While numbers differ from various sources, there are 550–600 garment factories in the country employing about 600,000 workers. Figures from the Ministry of Labour, Population and Immigration for the period from January to June show that 22 factories were permanently closed and 49 made significant layoffs. Other garment-related businesses have seen the closure of 77 factories while 82 other plants cut staff. Estimates from various sources put the number of job losses from 50,000 to more than 60,000 since the beginning of the outbreak in Myanmar in March.

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<sup>17</sup> World Bank, 'Myanmar Economic Monitor June 2020: Myanmar in the Time of COVID-19', 25 June 2020, access 13 July 2020 at <https://www.worldbank.org/en/country/myanmar/publication/myanmar-economic-monitor-june-2020-myanmar-in-the-time-of-covid-19>

<sup>18</sup> ITC, 'COVID-19 – Myanmar: Impact on national export sectors', 2020 mimeo

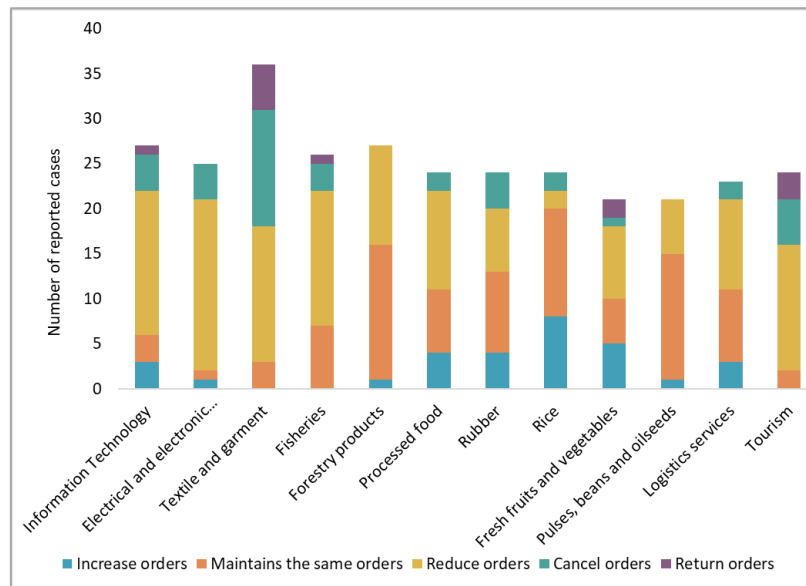
**Figure 7: Impact of COVID-19 on Myanmar Businesses, by Sector**



**Note:** Respondents were asked ‘How have your business operations been affected by the COVID-19 pandemic?’

**Source:** ITC calculations based on The Impact of COVID-19 on Myanmar Export Sectors. Data collected 9-26 May 2020.

**Figure 8: Top Five Buyers’ Commitments for the Second Quarter of 2020, by Sector**



**Note:** Respondents were asked ‘Have your top 5 customers committed to any of the following for the next quarter?’ (Multi-select).

**Source:** ITC calculations based on The Impact of COVID-19 on Myanmar Export Sectors. Data collected 9-26 May 2020.

**Impact on Investment:** Major disruptions in foreign direct investment (FDI) into Myanmar are to be expected as the outbreak affects views on future business activity. A number of FDI projects are expected to be suspended or postponed as a consequence of drops in aggregate demand, amplified by uncertainty and resulting in investment delays by firms. A major decline is likely in the tourism sector because of travel restrictions. Investment projects in the natural gas sector, accounting for 37% of total FDI inflows between 2011 and 2018, will also likely be stifled as the

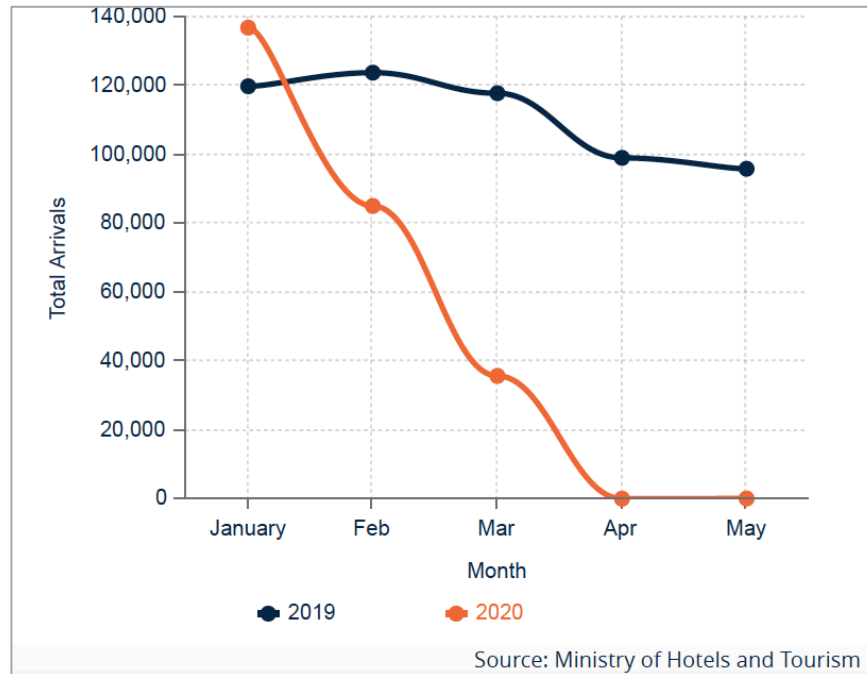
drop in hydrocarbon prices will inevitably discourage investment in the short-to-medium term. Investments in the textile and garment industry, accounting for 30% of inflows between 2011 and 2018 and mainly originating from China, are also likely to halt, at least in the short run. FDI will not return to Myanmar as quickly as it leaves. Even once the economy picks up, even cash-flush investors are likely to be more cautious than before the pandemic, building stronger safety nets in case of a pandemic resurgence and waiting for signs that the economic recovery is real and sustained.

**Impact on remittances:** About 75,000 migrants have returned to Myanmar since the onset of the crisis, mostly from Thailand and China. Not only has their re-entry represented a potential risk of accelerating the spread of COVID-19, but they are no longer a source of remittances and have also swollen the ranks of a labour force that is already reeling from lost jobs and lower incomes. Their story, however, reflects a relatively small portion of Myanmar's migrants. There are an estimated 4.25 million Myanmar migrants working mostly in Thailand, Malaysia, Singapore, China, South Korea, Japan, and Saudi Arabia. Before the crisis, they sent remittances through official and unofficial channels amounting to about \$10 billion or 13% of GDP. If Myanmar's remittances were to fall by 20%—the estimated average for developing countries, according to the World Bank—then the loss to the economy would amount to about \$2 billion, representing a significant loss to the 2.1 million recipients in the country as well as a substantial blow to foreign exchange earnings. Virtually all states and regions have been affected, although Kayin, Mon, and Rakhine have been the worst affected.

**Impact on industrial zones:** Industrial zones appear to have been spared the worst of the crisis. There are 63 such zones in Myanmar, almost half of them in Yangon. Orders for factories located in the zones have fallen but not as precipitously as in other parts of the economy, and most industrial zones are operating at high occupancy rates. But these are early days yet, and surveys suggest that several foreign investors unable to send their senior staff regularly to Myanmar to supervise their operations may yet decide to pull out.

**Impact on tourism and hospitality:** Tourism was hit by travel bans that were imposed by most countries around the world. Myanmar was no exception—its ban on international commercial flights came into effect in February and international arrivals have since plummeted to near zero (see Figure 9). Many hotels and tour companies were forced to close and lay off staff. Some have had to sell their assets and others may find it difficult to reopen once the crisis passes. Fortunately, the ban on incoming international flights was introduced after the height of the tourist season, otherwise the financial losses would have been even greater. The government introduced a COVID-19 Tourism Relief Plan that incorporates a three-stage roadmap for a gradual reopening of travel and tourist traffic: A survival stage that ends in June 2020; a reopening stage from June to August during which the ministry will issue standard operating procedures to ensure the health and safety of travellers and promote digital platforms; and a relaunching stage in which the governments will ease travel restrictions, issue visa exemptions and provide investment incentives.

**Figure 9: Yangon International Airport Arrivals  
January–May 2020**



Source: Slade Property Services<sup>19</sup>

**Gender impacts:** A gender analysis by CARE using secondary data and interviews with 82 respondents has provided some useful insights into the gender-differentiated impacts of the crisis.<sup>20</sup> These included the following key findings:

- Over a third of returning migrants are women
- About half of women workers in the garment sector are at risk of being furloughed or permanently losing their jobs
- Over 90% of women who work are in the informal economy and are highly exposed to the economic downturn without any social protection
- Women are just as likely to experience loss of livelihoods and food insecurity as men
- The disruption of supply chains has led to contraception shortages, placing women at higher risk of unwanted pregnancies
- Maternal and infant mortality rates could rise because the fear of the virus is preventing expectant mothers from accessing health services
- Female sex workers are more exposed to violence because the closure of bars and restaurants has forced them on to the street
- Gender-based violence cases in the courts are experiencing delays as court work has been disrupted by the crisis.

The ITC survey of exporters also finds that companies managed by women or young people tended to be more severely affected by the pandemic and its control measures. While 48% of companies managed by people below the age of 35 reported to be strongly affected, only 22% of

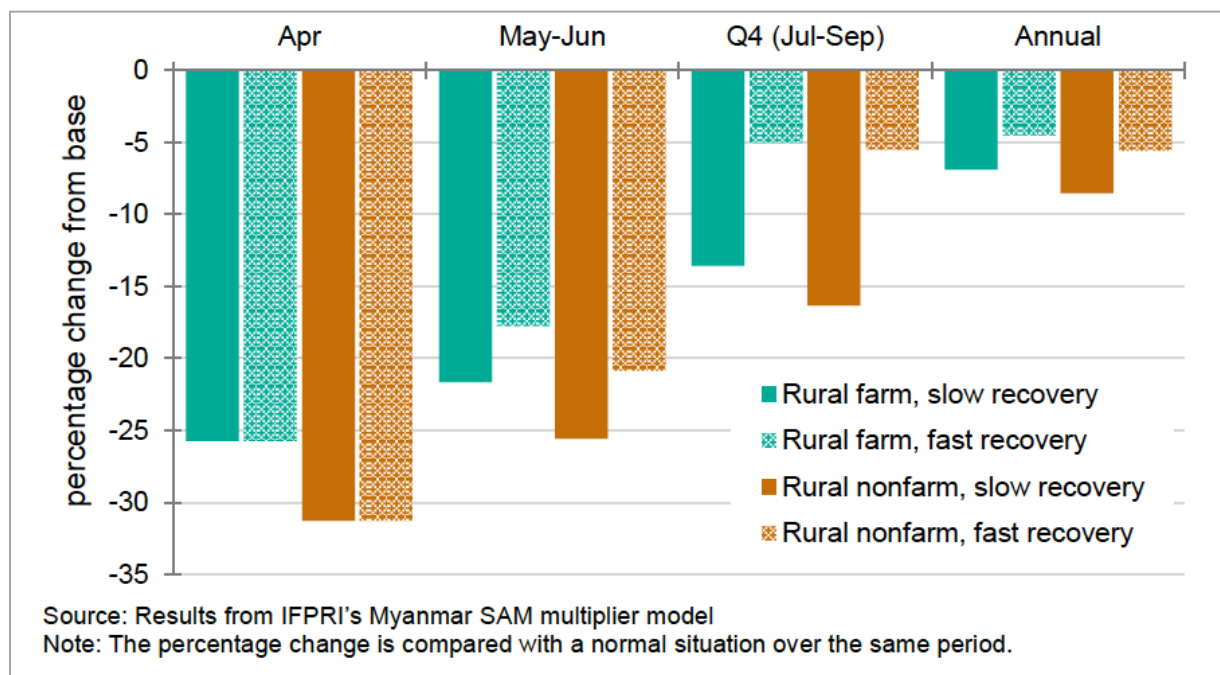
<sup>19</sup> Slade Property Services, 'Myanmar COVID-19 Brief', 17 June 2020, accessed 13 July 2020 at <https://sps-myanmar.com/2020/06/20/myanmar-covid-19-brief-part-6-hotels-tourism-sector>

<sup>20</sup> CARE, 'CARE Rapid Gender Analysis of COVID-19 in Myanmar', 7 June 2020 (Version 1), accessed 13 July 2020 at [https://reliefweb.int/sites/reliefweb.int/files/resources/Myanmar%20RGA\\_Covid-19\\_Report\\_FINAL.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/Myanmar%20RGA_Covid-19_Report_FINAL.pdf)

companies managed by non-youth reported the same. Similarly, 41% of companies with a female top manager reported to be strongly affected compared to 25% of male-managed companies.

**Impact on agriculture:** Added value in agricultural is less likely to be hurt from the COVID-19 crisis than value additions in industry and services. But it is important to remember 3 important features of Myanmar’s agricultural sector. First, even in the best of times, Myanmar’s agricultural growth has been uninspiring—1.5% a year on average for the last 10 years.<sup>21</sup> Given that, even a relatively modest downturn will lead to negative annual growth in agricultural output and incomes. Second, because 50% of Myanmar’s workforce is dependent on agriculture, relatively small downturns can have outsized employment and per capita income effects. And third, consider the consequences for rural non-farm employment—for example, agro-processing and micro-retail—which is heavily dependent on healthy agricultural growth. Put these three features together and the implications for income per capita and poverty rates in rural Myanmar are likely to be dire. IFPRI’s projections show that by the end of FY2020, rural on-farm incomes are likely to decline from 4.5% to 6.5% relative to a base projection that assumes no COVID-19 shock, and non-farm income losses will be worse (see Figure 10).

**Figure 10: Projected Change in Average Rural Household Incomes  
FY 2020 Under Two Scenarios**



**Note:** The base for comparison is projected income without the COVID-19 shock.

**Source:** IFPRI: Assessing the impacts of COVID-19 on Myanmar’s economy

A May 2020 Mercy Corps survey found that 53% of farmer respondents experienced reduced income, 24% reduced their savings and 18% lowered spending. The bulk of this income shock was due to disruptions posed by the lockdown and the sudden decline in demand. But part was also because China and Thailand, 2 of Myanmar’s important agricultural export markets, closed their borders to imports. Even Myanmar’s illegal poppy industry was hit when the drug trade with Thailand took a sharp downturn. The Mercy Corps survey also found that if the crisis were to

<sup>21</sup> Using the World Development Indicators; note that this is for agriculture, forestry, and fishing



continue for another 3 months, 28% of farmers said they would consume less food and 25% said they would reduce the frequency of meals. If the crisis were to continue beyond 3 months, 38% said they would need to borrow money.

The survey also highlighted a disconnect between farmer expectations and other agricultural sector stakeholders. For example, 83% of farmers expected there would be continued access to inputs, but 81% of input suppliers anticipated reduced supply and demand of agricultural chemicals such as fertilisers and pesticides. About 96% of farmers were unconcerned about obtaining quality seeds, but 66% of seed suppliers expected lower seed yields owing to shortages in the supply of inputs, and 87% expected increased production costs and hence lower net incomes. Similarly, 87% of farmers anticipated continued access to financing, whereas MFIs expressed concern about their own financial position and their ability to continue lending in the current risky environment. Finally, trade and transport restrictions have made it more difficult for farmers, input suppliers, millers, and traders to benefit from the continued demand for food.

Weekly surveys of farmers conducted through April and May by Proximity Finance reveal that 88% of respondents were very worried about being infected by the virus and 71% were very worried about its economic impact—and in both cases, the trend remained broadly stable over several weeks.<sup>22</sup> About 95% of those surveyed had been affected negatively in some way, with about 25% reporting ‘a very big impact’. Almost a third had seen their financial situation decline significantly and about 42% were ‘struggling to get by’. Almost two-thirds reported shortages in food supply and 77% said they reduced their consumption of meat and fish. With input costs rising and sales falling because of the closure of large trading markets, farming margins were being squeezed across the board. Finally, 62% of farmers surveyed said they were very worried about meeting their debt obligations, although this declined over 8 weeks from 67%.

**Impact on microfinance:** Of Myanmar’s almost 200 MFIs, the few large and well-capitalised institutions seem likely to be able to weather the crisis. The roughly 165 small and less-well-capitalised MFIs, however, face a growing challenge of rising non-performing loans, and there is a strong likelihood that several may not survive this storm. The cause of their travails is obvious—a sudden rise in payment defaults and delinquencies that tend to be higher in urban areas (about 50%) compared to rural areas (closer to 30%). A 2018 industry survey of MFIs shows that borrowers with multiple loans (from different MFIs) have been more likely to default on their repayments.<sup>23</sup> Vegetable growers have been among the biggest defaulters, in large part because of the collapse in demand and the fact that they produce perishables. Tomato, cauliflower, and cabbage producers in Shan State in particular have been seriously affected.

The Financial Regulatory Department (FRD) in the Ministry of Finance, Planning and Industry, the agency responsible for MFI oversight, has warned MFIs against applying undue pressure on borrowers to repay. MFIs fear this warning may be taken as a signal by borrowers and local governments (that are sensitive to the needs and views of their constituents) of greater lender tolerance in restructuring loan repayments.

The sudden decline in repayments has affected the liquidity of MFIs that, unlike banks, do not have ready access to funds. The Livelihoods and Food Security Fund, or LIFT, estimates that its MFI partners face a liquidity shortfall of \$160 million to \$200 million, some of which has been eased by

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<sup>22</sup> Proximity, ‘COVID-19 research findings’, 8 June 2020, mimeo

<sup>23</sup> UNCDF Myanmar, ‘COVID-19 and the Myanmar Microfinance Sector: An Interim Outlook’, 2020 draft mimeo

deferred debt service payments to their international and local lenders.<sup>24</sup> The lack of liquidity has forced MFIs to ration credit, leading to an estimated 60% decline in new loan disbursements. There are July reports, from large and small MFIs of improved collections and client demand indicating a more favourable outlook over the months ahead.

**Mobility trends:** The survey results discussed above provide snapshots in time, and trends will only emerge when the surveys are repeated in coming weeks and months. But Google mobility data provides a quick way to analyse trends using high frequency, aggregated, anonymised information showing how busy certain geographical locations are. The data tracks movement trends over time across different high-level categories such as retail and recreation, workplaces, and groceries and pharmacies. While the data displays percentage changes in visits, it does not show the absolute number of visits.

Myanmar's mobility data provide some interesting insights. First, people started reducing their mobility within 2 days of hearing about the first COVID-19 case in the country (announced 23 March). Mobility continued to decline rapidly as more cases were announced, and as news about the global spread of the disease became available. Second, a partial lockdown of Yangon was announced on 18 April, when mobility had already declined by around 70%. In fact, the partial lockdown came into force a few days after mobility had already begun to recover. Third, by 6 June, visits to workplaces had almost fully recovered and visits to grocery shops and pharmacies were only 15% short of normal. Visits to retail and recreation areas, which includes restaurants, cafes, shopping malls, and movie theatres, also increased, but were still 25% below normal.

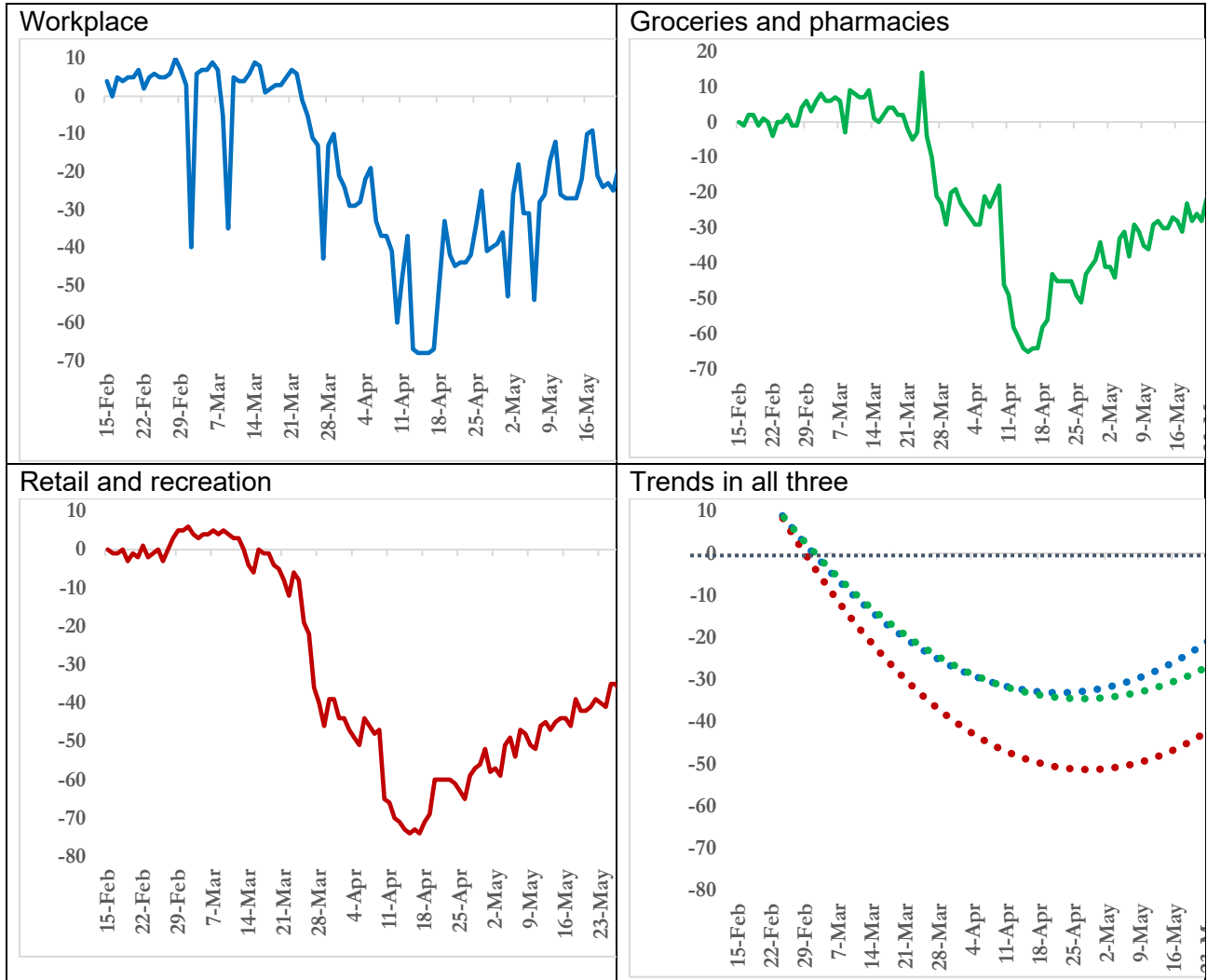
This impressive recovery has taken place despite the extension of the partial lockdown until 18 June. Finally, the data appears to suggest that the lockdown has had little effect on the behaviour of people. In this, Myanmar appears no different from other countries. Indeed, recent research shows that the effects on mobility and declines in production of non-pharmaceutical interventions such as closing nonessential businesses, sheltering in place, and school closings are dwarfed by the contribution of voluntary actions.<sup>25</sup> In other countries, just as in Myanmar, people reduced their visits to restaurants and other public places because they were concerned about contracting the virus and preferred to stay at home well before being told to do so by the government. And, as in the case of Myanmar, the mobility of people increased markedly well before any restrictions were eased or removed.

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<sup>24</sup> LIFT is a multi-donor fund which has among its partners MFIs that account for 75 percent of total MFI assets.

<sup>25</sup> Maloney W and others, 'Determinants of Social Distancing and Economic Activity during COVID-19: A Global View (English)', Policy Research working paper WPS 9242, World Bank Group, May 2020, accessed 13 July 2020 at <http://documents.worldbank.org/curated/en/325021589288466494/Determinants-of-Social-Distancing-and-Economic-Activity-during-COVID-19-A-Global-View>

**Figure 11: Myanmar: Mobility Trends**  
**15 February 2020–6 June 2020**



Source: Google mobility data.

## 4. Myanmar's COVID-19 Economic Relief Plan

### 4.1 Timeline of Key COVID-19 Responses

The government has responded to COVID-19 with a number of emergency policy and institutional measures. A more complete listing of these initiatives as well as the evolution of the health impacts is presented in Annex 1. The following are most relevant to the analysis in this paper:

**13 March:** Formation of The Working Committee to Address Coronavirus Disease (COVID-19) Economic Impact, chaired by Thaung Tun, the Minister of Investment and Foreign Economic Relations; the Committee established an initial stimulus package of MMK 100 billion (US\$70 million or 0.1% of GDP) as a COVID-19 fund: MMK 50 billion from the State Revolving Fund and MMK 50 Billion from the Social Security Fund.

**13 March–end April:** Banks were required to respond to the crisis by undertaking a number of measures including: preparation of business continuity plans by 25 March; reductions in interest rates and minimum reserve requirement; regulation compliance deadlines extended for the four “prudential regulations” from 31 August 2020 to 31 August 2023; microfinance and other non-bank financial institutions instructed to allow borrowers to defer repayments.

**23 March:** First COVID-19 cases reported in Myanmar.

**20 April:** Submission of the inception report of the technical assistance on COVID-19 response led by the DaNa Facility.

**27 April:** Launch of the CERP, consisting of seven goals, 10 strategies, 26 action plans and 76 actions that included emergency fiscal and monetary measures to mitigate the economic impact of the crisis.

**14 May:** Formation of The Working Committee to Address Coronavirus Disease (COVID-19) Economic Impact.

**2 July:** 300 COVID-19 cases identified in Myanmar, although still with only six reported deaths.

**3 July:** The Committee expanded the initial stimulus package to MMK 200 billion, to further support MSMEs and highly affected enterprises.

### 4.2 The Structure of the CERP and Related Policies

The CERP provided a comprehensive set of economic policy actions to address the social and economic consequences of COVID-19 and positions the economy to rebound quickly and resume a path of inclusive and sustainable rapid growth. The plan's sweep and ambition are laudable, but it will require significant resources, whole-of-government effort, and careful co-ordination to implement it effectively and in its entirety.

The seven goals and sub-goals of the CERP are:

|        |   |
|--------|---|
| Goal 1 | Improve macroeconomic environment through monetary stimulus   |
| Goal 2 | Ease the impact on the private sector through improvements to investment, trade and banking sectors |
| Goal 3 | Easing the impact on workers  |
| Goal 4 | Easing the impact on households   |
| Goal 5 | Promoting innovative products and platforms   |
| Goal 6 | Healthcare systems strengthening  |
| Goal 7 | Increase access to COVID-19 response financing (including contingency funds)                        |

The CERP is estimated to cost \$2 billion to 3 billion or 3% to 4% of GDP. It covers a range of proposed actions; some are stroke-of-the-pen economic measures that have already been undertaken such as lowering deposit and lending rate ceilings and establishing the MMK 100 billion (\$72 million) fund at the Myanmar Economic Bank to provide soft loans to small and mid-sized enterprise (SMEs) as well as the garment and tourism sectors at reduced interest rates (Figure 12). Other measures support behavioural changes such as constructing hand-washing stations and promoting digital financial inclusion and the use of mobile payment services to support economic activity in contact-intensive sectors such as retail and hospitality.

**Figure 12: Government Loan Support to Businesses**

| Type of business   | No of businesses | Loan amount (MMK million) | Share (%) |
|--|------------------|---------------------------|-----------|
| Garments   | 45               | 6,312                     | 6         |
| Other (contract manufacturing)   | 2                | 75                        | 0.07      |
| Hotels   | 340              | 15,721                    | 16        |
| Tourism  | 236              | 3,757                     | 4         |
| Restaurants  | 220              | 5,182                     | 5         |
| Foodstuffs, consumer products, manufacturing (general products), services, and MSMEs | 2,550            | 70,082                    | 69        |
| Total  | 3,393            | 101,129                   | 100       |

**Source:** Myanmar Working Committee to Address Coronavirus Disease (COVID-19) Economic Impact

The CERP was a welcome initiative by Myanmar authorities to deal with an economy suffering from coronavirus fears, disruption in international supply chains, a sharp reduction in remittances, and a nationwide lockdown. The CERP showed that the government implemented a number of immediate actions and presented a framework for further economic measures. Each proposed action in the plan identifies the government institution responsible for its implementation as well as a basic output indicator.

The CERP actions awaiting implementation, however, urgently require prioritisation, additional implementation details, timelines and budgets, as well as clear co-ordination and oversight. As important, the government must ensure that while the coverage of these actions is country-wide, priority should be given to the poor and most vulnerable communities, internally displaced persons, and conflict-affected areas. It is important that these priority areas and communities are, at the very least, afforded the same access to these programmes as the rest of the country.

### 4.3 Specific CERP Actions to Support Business, MSMEs and MFIs

The most significant connection between the CERP and the real sector is CERP's Goal 2: "Ease the Impact on the Private Sector through Improvements to Investment, Trade and Banking Sectors":

- Goal 2.1—Ease the Impact on Private Sector Firms
- Goal 2.2—Ease the Strains in the Banking Sector
- Goal 2.3—Promote Investment
- Goal 2.4—Promote International Trade.

The real sector is also affected by other CERP goals that involve primarily financial institutions:

- Goal 4.1.3—Ease the Liability Burdens on Households
- Goal 5.1.1—Promote the Use of Mobile Financial Payments
- Goal 5.1.2—Promote the Usage of e-Commerce and Social Commerce Systems
- Goal 6.1.2—Importation of Key Medical Products.

The most prominent SME measure in the CERP was the 27 April launch of the Working Capital Loan Programme—CERP 2.1.1 (a)—valued at MMK 100 billion. The programme may well be expanded and extended to cover additional SMEs and MFIs. To overcome risk aversion in banks, the CERP includes a government credit guarantee on 50% of all new loans to SMEs. This could involve that banks, in turn, should be expected to restrict their collateral requirements to 50% of any new loan value and retain a borrower in good standing with the Central Bank of Myanmar (CBM) to be eligible for the guarantee.

The reforms could also involve (see below) that MFIs automatically receive bank refinancing for all new lending to smaller SMEs on terms that incorporate a small intermediation margin to cover administrative costs and an incentive fee—CERP 2.1.1 (b). In addition, 50% of all new loans offered by MFIs to small family and commercial SMEs should be covered by a government credit guarantee, provided the MFI concerned remains a borrower in good standing with the banks. To the extent possible, cash transfers under the CERP could be delivered directly through mobile financial service (MFS) providers working with MFIs. Although to achieve scale, this may be more of a medium to longer term goal—CERP 4.1.1 (d).

### 4.4 Recommended Measures to Strengthen CERP Implementation

Based on lessons learned from activities with the Committee and its Task Force, a series of measures are presented below that the Committee may wish to consider in the ongoing implementation of the CERP and in preparing the Post-COVID-19 Action Plan (see Section 6).

**Prioritisation:** There is a need to develop a clearer logical framework to guide the prioritisation and implementation of CERP actions, perhaps using the following as a guide:

- "Immediate public health measures to combat COVID-19
- "Immediate relief measures to address hunger, malnourishment, unemployment, income loss
- "Economic measures to mitigate the impact of COVID-19 on production and employment
- "Linking emergency relief to the medium term and long term national development trajectory."<sup>26</sup>

<sup>26</sup> These priorities are derived from: Bello W and others, 'How to Improve Myanmar's COVID-19 Emergency Relief Program', Transnational Institute, 9 June 2020, accessed July 14 at <https://www.tni.org/en/article/how-to-improve-myanmars-covid-19-emergency-relief-program?fbclid=IwAR1JGALxtHOBvURKEQ6N1auiBn5Gi7wI5I8Ly72-QK6-pohueUtC6pi7Qzo>

Setting these priorities will help separate the CERP's immediate relief agenda from measures that address medium to longer-term challenges, although it is critically important that all CERP measures remain consistent and aligned with one another.

Given the unprecedented uncertainties that will continue to prevail in the near and medium-term, it is important that the Committee and its Task Force also recognise that domestic and international conditions are bound to change substantially and rapidly. To help anticipate and think through possible future scenarios, the Committee and the Task Force need to conduct risk management planning in consultation with key stakeholders (see details in Section 6), building on information contained in this paper and other similar strategic documents.

**Delegation and accountability:** To foster efficient implementation of the CERP, the government needs to delegate responsibility to implementation agencies and enhance their accountability. In doing so, the Committee needs to establish milestones for every proposed CERP action and ensure co-ordination across the whole of government and including development partners. In addition, it needs to design dashboards on implementation details and a system to monitor progress on all aspects of CERP implementation and display the results prominently on the relevant government websites. In sum, implementation details need to ensure that each agency and institution is aware of what needs to be done and by when, is held accountable for progress in accordance with the agreed timetable, and can resolve bottlenecks and raise implementation challenges to the Committee early before they become binding constraints to further progress.

**Information:** Recognising that the crisis may afflict Myanmar for many months, if not years, the Committee needs to emphasise high frequency data collection and analysis on economic activity, including output, employment, and incomes, as well as the public perceptions on the efficacy of CERP-related government actions. The health and economic situation continues to evolve rapidly and requires constant monitoring, including the spread of the disease within Myanmar and in neighbouring countries. The data should be analysed quickly and results sent promptly to key policymakers and co-ordinating institutions (such as the Committee and the Ministry of Health).

But merely conveying information will not be enough. The Committee should convene senior policymakers at regular and frequent intervals to assess the new information and decide on whether and how this should affect the design and implementation of CERP. The resulting system to monitor progress and make mid-course corrections will ensure that:

- Implementing agencies continue to be held accountable
- Co-ordination challenges are identified and resolved early
- Domestic and international financing agencies are provided with a steady stream of information on evolving resource needs
- The government develops a reputation for transparency, credibility, and implementation capacity in the eyes of the public and the international donor community.

The Committee will also need to continuously disseminate to stakeholder groups information on the government's COVID-19 response initiatives. The evidence collected so far suggests that many affected households and enterprises are uninformed about the government's many relief and assistance programmes. The Myanmar Business Environment Index survey in late May, for example, found that most of the 750 businesses surveyed were unaware of what relief they could get from government ministries and state banks.<sup>27</sup> Interestingly, the survey also showed that 92%

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<sup>27</sup> 'Myanmar Business Environment Index', 2020

of enterprises reported being satisfied with the Union government's response, with a similarly high level of satisfaction with the performance of state and regional governments, as well as the General Administration Department in townships.

**Co-ordination:** The implementation of the CERP calls for much greater levels of institutional co-ordination, whether it be across government departments, with the business community, or with development partners. Preparation of the CERP, for example, would have benefited greatly from greater engagement with key government implementing agencies, business associations, and the international community. It will be important that these co-ordination shortcomings are addressed in the implementation phase. As important, the government needs to clarify the Committee's position within the country's institutional hierarchy and its authority to conduct oversight and co-ordination of implementing ministries and departments.

**Flexibility:** CERP implementation calls for ongoing evaluation of the broad response strategy to the COVID-19 crisis in view of developments within and outside the country. For example, while lockdowns and related measures may have made sense in advanced economies, they may not translate well to Myanmar's very different circumstances. For example, the weaknesses in its health system are well known, its demographic profile is different, its fiscal capacity is limited, its communities are closely knit, its religious leaders are held in high respect, insurgencies remain active in parts of the country, and its urban and rural poor could potentially suffer irreversible effects from lost production, income, and consumption. The Myanmar authorities will need to design smart protocols specifically adapted to these unique conditions and characteristics that will help the country maximise production and incomes while containing the spread of the virus and keeping mortality levels low and manageable.

**Introduction of smart protocols:** While this paper is not focused on the health dimensions of the crisis, one can imagine that enhanced approaches towards the ongoing COVID-19 strategy would include some of the following considerations:

- Communicating the importance of hand washing, wearing masks, avoiding large gatherings, protecting the elderly, and ensuring adequate water supply and soap
- Recruiting local, community, and religious leaders as well as social media to propagate these common-sense measures to contain the virus
- Given limited government capacity, encouraging community and non-governmental efforts to combat the spread of the virus and deal with the likely growing numbers who will fall sick and die from COVID-19—although as noted below these will still remain well below the number that will fall victim to Myanmar's many other important causes of premature death and disability
- Focusing communication of COVID-19-related preventive measures on potential hotspots such as high-density urban areas and returning migrant destinations
- Adopting technology where possible to contain the spread of the virus
- Ensuring that the focus on containing the virus does not mean neglecting Myanmar's other important causes of disability and premature death, including infant and maternal mortality as well as other more traditional communicable and non-communicable diseases such as tuberculosis, malaria, diarrhoea, malnutrition, and stunting
- To the extent possible, using the current and probably temporary hiatus in the spread of the virus to prepare hospitals for an influx of COVID-19 patients by ensuring adequate supplies of PPE, ventilators, and other equipment—recognising that these needs should not come at the expense of other health priorities.



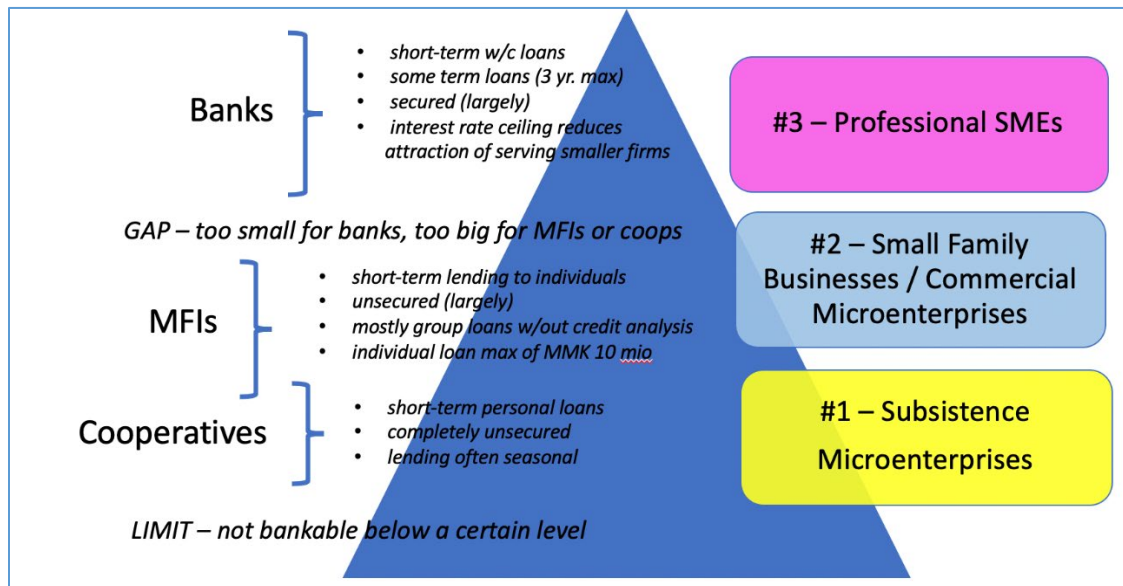
## 5. Policy Recommendations Specially Targeted at MSMEs

The CERP includes several proposed actions to support the production and employment potential of Myanmar’s vibrant, diverse, and ubiquitous MSMEs as they battle coronavirus fears, the collapse in demand, and disruptions in input supplies. This section provides recommendations as to how these enterprises can be supported through the financial sector and through trade and investment measures.<sup>28</sup> It is important to note that all MSMEs likely face liquidity shortages and market disruptions, regardless of what sector they are in.

### 5.1 Financial Sector Policies for MSMEs

SMEs operating in Myanmar are broadly of three types: relatively large and professionally run SMEs that borrow mostly from banks (if they meet bank collateral requirements); smaller family-owned commercial businesses that borrow mostly from MFIs, financial co-operatives; and subsistence microenterprises that borrow in groups (with group guarantees) from MFIs and co-operatives, or raise funds from informal sources such as family, relatives, friends, and moneylenders (see Figure 13).

**Figure 13: Pre-COVID MSME Financing Landscape**



Source: DaNa Facility

Surveys indicate that all MSMEs—whatever their size—have suffered more from the sudden collapse in demand than large enterprises, and face critical shortages of key inputs. In this regard, Myanmar’s experience parallels that of other developing countries. Many MSMEs, caught in the vicious cycle of COVID-19-driven supply and demand shocks, have had to close; whether these closures are temporary or permanent can only be assessed with the benefit of hindsight. But urgent actions are needed to prevent further and more widespread closures and layoffs, and to support profitable MSMEs that would otherwise be underserved. These actions will need to be tailored to meet the specific needs of all MSMEs.

<sup>28</sup> This builds on the various MSME strategies and roadmaps already in place or under preparation

The case for urgent action is real. Just as the liquidity needs of SMEs have increased, the availability of liquidity has shrunk as banks struggle with rising levels of non-performing loans, potentially triggering a downward spiral of more bankruptcies, employment losses, and further debt delinquencies, which then cause even greater numbers of non-performing loans and lower credit availability. Reversing such spirals is not easy, so it is best to prevent them. The exit and entry of firms present asymmetric challenges; shutting firms down—especially MSMEs—can happen suddenly but re-opening them usually takes longer and is more complicated. The longer the period of closure, the bigger becomes the reopening challenge. And a temporary liquidity crisis can become an existential solvency crisis in that crucial period when firms face a demand shock but still have to meet operational and overhead expenses (including debt service).

While not comprehensive, the recommendations below cover the most urgent and important actions that need to be taken. They include different combinations of liquidity support, new loans, credit guarantees, grants, and debt relief. Many of these actions can be implemented immediately by using existing financial channels and institutional arrangements where the CBM will be instrumental. They must as well be supported by fiscal policies and supportive regulatory reforms where the Directorate for Investment and Company Administration, among others, will play a key role. Finally, there will be a need for close co-ordination between central and local governments. These co-ordination and political economy challenges are just as important as—if not more important than—the actions themselves. In Myanmar, as in other developing countries with administrative capacity shortcomings, defining what needs to be done is far easier than doing it.

## 5.2 Professional SMEs

Arguably, the most important challenge facing all MSMEs today is liquidity to meet operational costs and working capital needs. There are many ways the government can ensure these temporary needs are met. External loans from bilateral and multilateral resources are being tapped to finance these efforts. These can be supplemented with fiscal resources and financing facilities through the CBM. While the sources of finance are important, an equally important question is the channels through which the government will on-lend these resources to large SMEs and how incentives will be structured to ensure enthusiastic support from the participating financial institutions at every stage. These three factors—the sources of funds, the channels through which they are on-lent, and the incentive structures—will need to be organised and co-ordinated to ensure all parts of the fiscal and financial system are pulling in the same direction and where the whole is greater than the sum of the parts.

The government needs to designate SME financing units in *at least* two banks—a state bank (perhaps the SME Development Bank, the MEB/MADB entity or other if better suited) and at least one private-sector bank—that would be responsible for lending to SMEs through the entire banking system. These SME financing units would need to be financed directly by grants and government-guaranteed loans from bilateral and multilateral sources, supplemented as needed by other fiscal resources as well as by a line of credit from the CBM. The SME financing units would then on-lend these funds to banks—including the banks in which they are housed—at a predetermined rate of interest. The financing units would automatically refinance low-interest bank loans to SMEs with terms that include a small intermediation margin to cover administrative costs and an incentive fee. Banks would continue to be responsible for ensuring due diligence when lending to SMEs and ensuring that borrowers demonstrate long-term viability.

Such on-lending facilities have been used across the developing world for decades and an evaluation of them shows that despite good design and the best of intentions, reaching SMEs remains a challenge for commercial banks, especially in rural areas.<sup>29</sup> This is especially true during crises when banks are preoccupied with serving their lower-risk large clients.<sup>30</sup> Certainly, Myanmar's commercial banks have not shown any special skill or capacity to serve SMEs, which, as in other countries, continue to be poorly served.<sup>31</sup>

The design of refinancing and on-lending arrangements will need to take these challenges into account. One way would be to ensure that the intermediation margins at every stage and the accompanying incentive fees are attractive enough for banks to participate enthusiastically. Another is for the government to share some of the risk of borrowing from external sources and on-lending the proceeds to SMEs. Quite often, the government assumes the foreign exchange risk of repayment, but does not share the credit risk. But these are extraordinary times and the government announced in the CERP that it will provide a credit guarantee on 50% of all new loans to SMEs. Banks, in turn, should be expected to restrict their collateral requirements to 50% of new loan value and remain a borrower in good standing with the CBM to be eligible for the guarantee.

Banks should also immediately introduce a 6-month moratorium on interest and amortisation payments on existing debt.<sup>32</sup> A couple of banks have already done so of their own accord; the government should mandate that all banks do so. Participating banks will need to be compensated for lost interest revenue while the moratorium is effect—a cost that will have to be met from the budget. At the same time, SMEs receiving special loans or debt moratoriums under this special programme should be required to maintain their existing employment levels.

### **5.3 Small Family Businesses and Commercial Microenterprises—The “Missing Middle”**

This group of SMEs constitutes the “missing middle”—they are usually too small to attract commercial banks, and too large to be served by MFIs. They represent a particularly large and underserved segment and require particular attention from policymakers. MFIs tend to conduct group lending in which every member of a group of borrowers stands as surety for the repayment performance of every other member. Only over the past few years have MFIs been gradually developing the capacity to serve individual SME borrowers.

Myanmar's financial regulations do not help. In 2019, banks reported their small business loans ranged from MMK 100 million (roughly \$70,000) to MMK 500 million (about \$350,000).<sup>33</sup> Banks rarely venture below a level of MMK 100 million, in part because the maximum interest rate of 14.5% (for unsecured lending) provides little incentive to incur the costs and risk of reaching

<sup>29</sup> World Bank, Independent Evaluation Group, 'World Bank Group Support for Small and Medium Enterprises: A Synthesis of Evaluative Findings', 2019, accessed 14 July 2020 at <https://openknowledge.worldbank.org/handle/10986/32536>

<sup>30</sup> It may be that the larger commercial clients are only perceived to present a lower risk than SMEs. As the Asian financial crisis demonstrated across much of Southeast Asia, large local banks are tempted to serve fewer, larger customers that they know well (and to which they may, in fact, be connected). It is administratively cheaper and easier to do so. The Asian financial crisis—that Myanmar largely avoided—showed that small and micro-level borrowers tended to repay their loans, while the largest commercial borrowers defaulted, with hugely negative consequences across Asia

<sup>31</sup> On the other hand, banks will counter with the view that many SMEs do not have credible financial statements, have poor internal controls and accounting records/systems, and maintain multiple sets of books to avoid tax compliance. This is true, but banks can try to work around this

<sup>32</sup> Note that this recommendation replaces the CERP action requiring banks to renegotiate their SME debts because it will be easier and quicker to implement

<sup>33</sup> Based on a survey of banks; data on lending to SMEs by banks is self-reported to CBM

smaller borrowers. MFIs, for their part, are prohibited by regulation from offering loans larger than MMK 10 million per borrower (about \$6,000).<sup>34</sup> In fact, very few MFIs have the technical and financing capacity to offer loans even half this size to individual borrowers.

These numbers suggest that MSMEs seeking loans between MMK 10 million and MMK 100 million can neither borrow from banks (who consider them too small) nor MFIs (who consider them too large and in any case are prohibited from lending more than MMK 10 million to an individual borrower). This “missing middle” of MSMEs are constrained in borrowing from a single source and consequently resort to seeking credit on various levels from different formal and informal suppliers to satisfy credit needs.

The first and foremost need for this group of firms is to ensure that they gain access to financial services from the formal financial sector. One way to do that would be for CBM to introduce a line of credit through the specially designated SME financing units located in two carefully selected banks as discussed above. Doing so will automatically refinance all bank lending to MFIs with the capacity and commitment to target finance to entry-level SMEs. In addition, the regulated MFI loan limit should be significantly raised from MMK 10 million. This may contribute to increasing the market for MFIs and encourage them to increase lending to this new but important market segment. Some of the larger MFIs already have the capability of serving this market but liquidity shortages and regulatory impediments have prevented them from doing so.

And as was noted earlier in the above discussion on professional SMEs, the designated SME financial units would be rewarded with a small intermediation margin to cover administrative costs and an incentive fee for providing loans to MFIs that serve MSMEs. For their part, MFIs should automatically receive refinancing for all new lending to small SMEs on terms that incorporate an incentive fee as well as a small intermediation margin to cover administrative costs.

As recommended for professional SMEs, the government can add further incentives to this arrangement for MSME refinancing by guaranteeing 50% of all new loans offered by MFIs to MSMEs. The guarantee arrangement should be available to only those MFIs that remain borrowers in good standing with the SME financial units and the banking system more broadly. Such an arrangement would ensure that MFIs will continue to be responsible for due diligence on all new lending as they will continue to bear 50% of the credit risk.

In addition to introducing such refinancing arrangements, the government also needs to consider fixing data gaps that hamper assessments of the efficacy of lending to MSMEs. Note that the MMFA has initiated a client information sharing database that has been well-received by the MFI community. The database acts like a credit bureau in providing participating MFIs with client information on a borrower’s microfinance indebtedness and cross-borrowing activity within the microfinance sector. Moreover, the actual number of MSME borrowers covered by banks does not appear in official statistics, and to make matters worse, each bank uses its own definition of an SME. These data gaps need to be filled, even if it takes time. MSMEs are too important for policies and regulations to be formulated in an information vacuum.<sup>35</sup>

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<sup>34</sup> This is slated to double, which is encouraging, but MFIs will need a long time to adjust their underwriting and products to effectively reach large numbers of SMEs

<sup>35</sup> This is particularly true when it is recognized that total bank lending to MSMEs (as of the end of June 2019) was 4.7% of total commercial bank lending, roughly equivalent to \$850 million

Finally, none of these refinancing programmes will work unless MFIs are also able to access resources from their donors and lenders. There is a substantial backlog of financing commitments that are still awaiting FRD approval, and although the government has expressed a commitment to expediting approval, there appears to have been little movement so far. A recent analysis reveals that the total resource requirements of the 20 largest MFIs is about \$177 million while the total for all MFIs is about \$190 million.<sup>36</sup>

#### **5.4 Subsistence Microenterprises**

Finally, consider microenterprises that are largely composed of self-employed people engaged in marginal (but, for their households, quite significant) small-scale trading and service activities. These microenterprises make up the lion's share of MFI lending to borrower groups. They neither have the credit histories nor the relationships with formal financial institutions, with the exception of farming households with access to the crop production loans offered by the Myanmar Economic Bank and the Myanmar Agricultural Development Bank.

While the COVID-19 pandemic continues, increasing lending to these borrower groups of microenterprises may even be counterproductive if it makes them highly indebted. In addition, reports from the field have indicated that group solidarity is showing signs of weakening as financially stronger members are unwilling to guarantee weaker members whose financial situation has become more perilous.

For these household-based microenterprises, therefore, the best approach would be to offer unconditional cash transfers through schemes being designed and prepared for the rural and urban poor. In the long-term, such cash transfers could be delivered directly through a new real-time digital payment system that is now under construction by the CBM. The country's microenterprises and households cannot wait, however, for a better-designed future. In the short-term it is essential to try to reach this group via both MFIs and MFS providers. Many—if not most—of these households will not have a transaction account at a bank so would need to be provided with an account with transactional facilities, like a WAVE Money or MPT Money e-wallet through which they could receive and send small balances.

To reach such households, the planned national, inclusive, and efficient payment system is imperative, although it will take time to establish. In the meantime, policymakers need to consider pragmatic “all of the above” strategies for reaching poor households with unconditional cash transfers, including through MFIs, MFS providers, as well as through local government offices and other channels.

#### **5.5 Implementation and Co-ordination of an MSME Finance Strategy**

Putting in place the above recommendations for financial support to MSMEs during the COVID-19 crisis need to be governed by a few implementation principles that recognise the capacity of government, the critical need for co-ordination across key stakeholders, and the profound uncertainties affecting economic policies and the trajectory of the economy.

First, all special arrangements for pandemic-related financial support should be time bound. Thus, special provisions for MSME support through the financial system should initially be for a period of

<sup>36</sup> M-CRIL, 'Myanmar Microfinance Money Management: Coping with the COVID-19 Crisis', June 2020, accessed 14 July 2020 at <http://www.m-cril.com/pdfs/20-07-06%20Coping%20with%20the%20Covid%20Crisis%20-%20Myanmar.pdf>

6 months, extended if necessary for further consecutive 6-month periods. Any extension announcement should be made at least 2 months before the expiry deadline to allow market participants to plan accordingly. Any decision not to extend the deadline should also be announced at least 2 months before the expiry of the deadline together with an explicit timetable for their phased removal over another 3 to 6 months.

Second, to ensure that temporary support programmes for MSMEs are implemented quickly without diverting scarce administrative resources, the provisions for financial support and their supporting regulations should be kept simple, formulated quickly, and publicised widely.

Third, the institutional arrangements for MSME financial support will require the strong backing of a few key players. The CBM will be one of them. Another will be the banks that will house the SME financing units—one of which will almost certainly be either the Myanmar Economic Bank or the Myanmar Agricultural Development Bank. These key players will need to be involved heavily in the process of designing the procedural arrangements and the incentive structures for bank and MFI participation so that their support is complete and unequivocal. At the same time, this participation should not come at the cost of delays in quickly finalising the program.

Fourth, to ensure the programme works smoothly, co-ordination across the relevant participating institutions must be seamless. The mantra of co-ordination is repeated endlessly in Myanmar, but the reality is that ministries and departments still tend to work in silos with little consultation, let alone co-ordination. Breaking with this practice will require some genuine commitment, not just lip service. Certainly, the gravity of the crisis should shake the bureaucracy into working together. Any MSME support programme usually involves co-ordination across multiple government institutions. The refinancing arrangements proposed above is no exception. It will require the MoPFI, the CBM, the banks, and MFIs, to work closely together. The links between the departments responsible for fiscal management and the institutions involved in the refinancing facility for MSMEs need particular attention to ensure timely, smooth, and efficient data flows, resource transfers, and dispute resolution. For example, transmission of budgeted funds (whether sourced externally or internally) to the SME financing units for on-lending to MSMEs through banks and MFIs, CBM refinancing flows to the banks and the MFIs, compensation to banks for lost interest revenue from a debt moratorium, automatic payments on any credit guarantee claims—all of these will require accurate accounting, real-time data sharing, and close co-ordination mechanisms to smooth any wrinkles that may emerge during implementation.

Constant evaluation of the refinancing facility and its arrangements—and a process for continuous feedback and mid-course corrections—will be central to ensuring the programme stays on track and true to its purpose. It is almost certain that implementation challenges will arise, conditions will change, and that the course of the crisis may shift in unanticipated ways. The Committee, with the support of its Task Force, should seek to continuously assess the flow of data on MSMEs and the financial sector, launch and monitor frequent evaluations of different aspects of the programme, and use the resulting data to make changes to the programme design as needed and in consultation with key stakeholders.

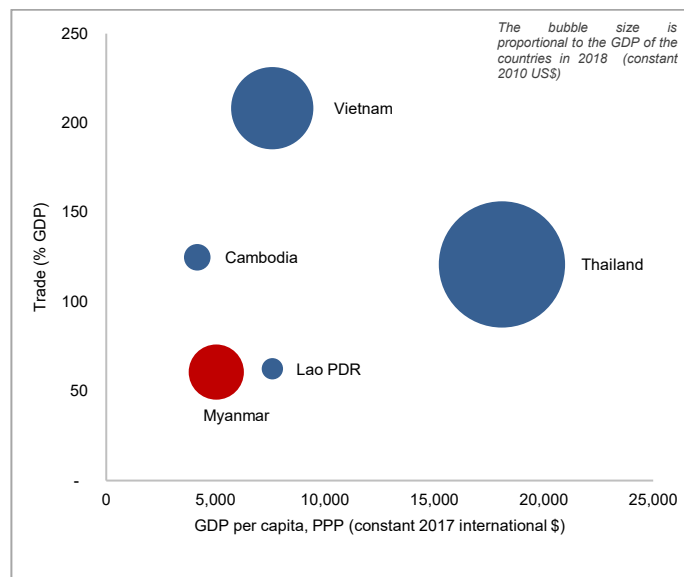
Finally, even as the implementation phase of the CERP proceeds, it is important the Committee starts thinking about transition arrangements to a post-COVID system for MSME financing (see below). To make such a transition easier, any policy initiatives to deal with the crisis will need to be supportive of, and consistent with, the direction of longer-term reforms. The urgent and the important should pull in the same direction. Although intended to deal with the COVID-19 crisis,

CERP actions should also work towards easing investment regulations, reducing administrative complexity, lowering entry, exit, and trade barriers, eliminating opportunities for corruption, improving transparency, encouraging good governance, and promoting institutional co-ordination.

## 5.6 Preparing for Recovery Through Trade Competitiveness and Investment Promotion

A sustained post COVID-19 economic recovery will need to be driven by increased integration with the regional and global economy. And while there is every likelihood that the regional and global recoveries will be tepid, there is no reason why growth should be tepid for Myanmar too. Myanmar's share of global markets started from a low base, but the country is now gaining market share in global trade. It accounted for 0.09% of world exports of goods in 2018, up from 0.05% in 2012. At the regional level, however, Myanmar's economy remains relatively less open than other regional economies (see Figure 14). This highlights the fact that there is still scope for intensified reforms to stimulate exports, address barriers to trade, and prepare for the post-COVID-19 period.

**Figure 14: Trade Openness and GDP Per Capita, 2018**



Source: World Development Indicators, World Bank.

Myanmar remains primarily a commodity exporter with exports concentrated in a few resource-based commodities and dominated by products with relatively little value additions. Export earnings still largely rely on natural gas revenues, accounting for about 17% of the country's total exports in 2018. There have been, however, encouraging signs of product diversification as the number of products for which the exported value exceeding \$1 million (at the HS 6 level) has risen significantly, from 138 in 2012 to 470 in 2018<sup>37</sup>. However, product diversification remains limited as export growth is almost exclusively attributed to the expansion of established products to established or new markets<sup>38</sup>. Myanmar's export markets for goods are limited to neighbouring China and Thailand, which together take more than half of Myanmar goods.

Against this backdrop, diversifying domestic product and service offerings, and especially fostering development of more sophisticated, higher value-added goods and services, is now urgently

<sup>37</sup> Source: ITC calculations based on Comtrade data.

<sup>38</sup> Source: ITC calculations based on Comtrade data

required to achieve export-led growth and prepare for the country's recovery efforts, especially for MSMEs. In order to face the unprecedented challenges posed by the COVID-19 pandemic, the National Export Strategy under preparation for 2020–2025 proposes to strengthen trade competitiveness while also strengthening MSMEs. Its primary recommendations related to COVID 19 recovery include:

- Building up institutional capacities in key trade-related areas
- Accelerating trade-related policy reforms and trade negotiations
- Reforming key procedures and regulations to reduce trade costs and stimulate exports
- Enhancing trade facilitation and logistics to position Myanmar as a logistics hub
- Building skills of MSMEs and exporters for export competitiveness
- Developing quality management skills to compete successfully in export markets
- Improving access to trade finance for MSMEs and exporters
- Strengthening trade promotion and branding efforts to stimulate diversification

Since the time required for the economy's full recovery is still uncertain—not before 2021 even in the most optimistic scenario—strengthening the international competitiveness of exportables and import substitutes in the meantime should be considered a top priority. The challenges of responding to COVID-19 will imply having a dual track approach to trade development, which involves a 1 to 2 year plan for recovery purposes as well as a longer-term action plan to strengthen overall resilience of Myanmar's export and import substitution industries.

**The importance of maintaining and promoting inclusive and productive investment:** FDI has been an important part of Myanmar's economic growth over the past 5 years, accounting for as much as 21% of gross fixed capital formation in 2018 and close to one million jobs since the beginning of economic liberalisation in 2011. Today, this engine of growth and global economic connectivity is at grave risk of being dismantled by the effects of the pandemic. Global FDI is expected to decline by 30% to 40%; in the case of developing Asia, the drop in FDI may reach up to 45%. Notably, announced greenfield investment projects in the region have already dropped by 37% in the first quarter of 2020 compared to the quarterly average in 2019.

More targeted FDI in emerging export-oriented sectors is now needed to spur export-led growth and support regional development. Given the sharp deceleration in FDI approvals, building a better enabling environment for businesses and restoring confidence among international investors now appears to be more pressing than ever to achieve the objective of more targeted FDI. In line with the Myanmar Investment Promotion Plan and regional investment promotion strategies, there are a number of major priorities to consider for stimulating the return and growth of inclusive and productive FDI:

- Building capacities and resilience of investment-related institutions
- Digitalisation of information and servicing to investors
- Ensuring transparency and predictability of entry and post-entry procedures
- Providing aftercare services to existing investors to encourage FDI retention and re-investment
- Targeting responsible and sustainable investment in focus sectors
- Ensuring effective functioning of a PPP unit to design, tender, negotiate, and administer public-private partnerships, especially for strategic infrastructure projects.



## 6. Emerging Lessons for an Economic Post-COVID-19 Strategy

### 6.1 From Relief to Recovery

Global economic development experience confirms the importance of private sector led growth as the prime engine for reducing poverty, enhancing social welfare, and meeting the sustainable development goals. Strengthening the enabling policy and regulatory framework for the private sector—a central pillar of Myanmar’s economic reform agenda—is critical to attracting the levels of private investment needed to sustain rapid economic growth and create high-quality jobs that the country so desperately needs in the medium and long term. Private investment, local and foreign, brings needed finance, skills, new technologies, and backward and forward linkages to regional and global value chains and markets.

COVID-19 has only magnified the critical role of the private sector in steering the Myanmar economy through the world’s most severe economic crisis since the Great Depression, and the role the private sector will play in the economy’s recovery and prosperity once the pandemic fades. This section examines how crisis-related actions that are being taken now—and will be taken in the near future—can be so designed and implemented that they serve the immediate needs of the economy while also positioning it to prosper in a post-COVID-19 world.

A key premise underpinning this section is the belief that in some respects the post-COVID-19 world will be very different from its pre-COVID version. The post-COVID-19 world will likely be characterised by greater volatility, lower growth, rising trade tensions, historically low interest rates, and rapid technological change. Many of these characteristics were already prevalent prior to the crisis—for example, global interest rates have been declining for over 30 years—but the crisis is accentuating them.<sup>39</sup> Precautionary savings have climbed, driving interest rates lower still; global growth will be muted and volatile for several years because of higher debt burdens, hobbled financial systems, and asynchronous recoveries in East Asia, Europe, and the US. As well, a post-pandemic re-examination of the links between resilience, national security, and global value chains are likely to further accentuate trade and other tensions.

For relatively small, lower-middle income economies like Myanmar, however, the crisis has, if anything, made implementation of its pre-crisis reform agenda even more urgent. Advanced economies, given their position of strength, may have the luxury of reconsidering their trade and investment policies. Myanmar, on the other hand, has a per capita income that is almost a tenth of the global average and a fiftieth of the United States or Singapore; its only option for accelerating growth and catching up with its neighbours is by continuing to attract global resources and leverage technologies. Fortunately, Myanmar is located in a developing region that promises to retain, if not strengthen, its relative economic position in the world. Myanmar’s binding constraints, therefore, lie inside its borders, not outside. A post-COVID-19 world will place an even higher premium on economic reform. The question is not so much whether Myanmar continues to reform its policies or not. Rather, it is whether the quality and pace of its reform performance compares favourably with that of its neighbours and competitors. It is with this backdrop that the rest of this section examines how COVID-19 recovery actions can be implemented in ways that strengthen the foundations for further reform and position the economy to deal effectively with a more volatile and slow-growing post-COVID world.

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<sup>39</sup> Rachel L and others, ‘On Secular Stagnation in the Industrialized World’, NBER Working Papers 26198, National Bureau of Economic Research, 2019, accessed 14 July 2020 at [https://www.brookings.edu/wp-content/uploads/2019/03/RachelSummers\\_web.pdf](https://www.brookings.edu/wp-content/uploads/2019/03/RachelSummers_web.pdf)

## 6.2 Three Immediate COVID-19 Recovery Priorities

**Staying healthy:** Myanmar's first and, by far, most important priority is to ensure that the COVID-19 virus does not obtain a stronger foothold in the country and spread through the main population centres. So far, Myanmar has been spared the ravages of the virus compared to countries in Europe, the Americas, and South Asia. It must work doubly hard to make sure this remains the case. Complacency could be deadly. By and large, and with the exception of the US, the epicentre of the virus has gradually shifted from the advanced economies to the developing world, especially Latin America and South Asia. For reasons that are poorly understood, most Southeast Asian mainland economies have so far escaped relatively unharmed. But there is no guarantee that such good fortune will prevail.

There is now initial evidence that—after taking into account the impact of non-pharmaceutical interventions such as lockdowns and travel bans—higher infection and death rates per million are correlated with the impact on the economy. Myanmar must, therefore, work hard to make sure that the disease does not spread within its borders—a task made difficult because its health care system is weak and it shares borders with India and Bangladesh where the virus is rampant.

The government has responded by increasing its spending and purchases of medical supplies and equipment and is also using loans and other funds from international institutions to help support its prevention and control efforts. It has announced as a priority that it plans to spend MMK 300 billion in the next fiscal year beginning 1 October to provide free medicine to people in public hospitals. In the current fiscal year, the government has budgeted MMK 143 billion on free medicines.<sup>40</sup> In March, the government also signed an agreement with a Myanmar-based company to supply 100,000 pieces of personal protective equipment<sup>41</sup>, and, jointly with the DaNa Facility is exploring measures to stimulate domestic production of medical equipment and supplies. In May, Parliament approved a \$50-million loan (MMK 50.5 billion) from the World Bank. The 2-year loan will fund the addition of intensive care units at 8 hospitals in Yangon Mandalay and Naypyitaw, as well as 43 other hospitals across the country. The loan will also help finance capacity-building for medical staff and support community engagement activities. Myanmar has also received COVID-19 support from the World Health Organisation (\$5.5 million), USAID (\$0.7 million), the Asset to Health Fund (\$11 million), the Asian Development Bank (\$6 million), World Bank loans (\$5 million in previously planned loans), the Global Fund (\$7.1 million), and GAVI, the Vaccine Alliance, (\$8.7 million).<sup>42</sup>

But rather than use draconian (but blunt) instruments like lockdowns that impose unacceptably high economic costs, Myanmar needs to focus its scarce resources on a range of smart measures that demonstrate the highest benefit-cost ratios.<sup>43</sup>

These would include, among others, limiting visitors from high-risk countries and leveraging the power of households and communities to adopt sensible practices such as mask-wearing, hand washing, avoiding large gatherings (especially indoors), and protecting the elderly by keeping them

<sup>40</sup> Irrawaddy, 'Myanmar to Double Health Spending to Supply Free Medicines', 19 May 2020, accessed 18 July 2020 at <https://www.irrawaddy.com/news/burma/myanmar-double-health-spending-supply-free-medicines.html>

<sup>41</sup> Myanmar Times, 'Myanmar govt buys protective equipment from local factory', 27 March 2020, accessed 18 July 2020 at <https://www.mmtimes.com/news/govt-buys-protective-equipment-local-factory.html>

<sup>42</sup> Irrawaddy, 'Myanmar Parliament Approves US\$50 M World Bank Loan for Health Care Systems', 22 May 2020, accessed 18 July 2020 at <https://www.irrawaddy.com/news/burma/myanmar-parliament-approves-us50-m-world-bank-loan-health-care-systems.html>

<sup>43</sup> Some ideas are discussed at the end of Chapter 4

indoors. Every possible means should be used to communicate these common-sense prophylactic practices through social media, schools, community centres, local leaders, Myanmar's highly respected and well-connected religious leaders, or even ethnic armed groups operating in the country's border states. Moreover, strategic testing should be done in potential hotspots so that any signs of acceleration in new infections are met with strenuous efforts to contain them. Finally, it is important to develop virus-containment protocols such as testing regimes, temperature checks and shields in factories, farms, offices, and market places that will allow the economy to function at close-to-potential levels without risking igniting a spread of the disease.

At the same time, Myanmar must ensure that any budget reallocations to deal with the crisis cannot come at the cost of the health budget. On the contrary, the health budget needs more resources to protect against the pandemic while continuing to fight Myanmar's traditional causes of high mortality rates (especially from communicable diseases that can be addressed through many of the same kind of prophylactic measures recommended for COVID-19). Moreover, there are two important reasons why the priority on health should remain even after the threat of COVID-19 fades. First, Myanmar continues to experience high mortality rates from other infectious diseases that need to be contained. Second, there is always a possibility that other pandemics could arise that may be even more deadly than COVID-19. Myanmar's health authorities would do well to learn from the protocols adopted in other countries that have demonstrated the best and most cost-effective virus containment measures because these will stand the country in good stead in the current crisis as well as in possible future pandemics.

**Managing risks:** The crisis has highlighted the importance of risk management as a key driver of long-term growth.<sup>44</sup> Pandemic containment may dominate policy thinking these days, but it is only one of many risks that Myanmar faces. Others include the potential effects of climate change—extreme weather events, rising sea levels, floods, and droughts, not to mention risks that can emerge from the country's own internal fault lines—political (upcoming elections in November, for example), religious, or ethnic.

Sound risk management involves three important policy levers. The first is the importance of continuing to build risk absorbers—adequate fiscal space and foreign exchange reserves being among the most prominent. True, many countries have rightly thrown caution to the wind in dealing with the COVID-19 crisis, increasing public expenditures, and enlarging budget deficits to protect businesses and households hurt by the crisis. Myanmar should do the same but finance these measures as much as possible through external grants or concessional aid and spend the additional resources on programmes with the highest social benefit-cost ratios. This is not the time for white elephant projects built in the name of economic stimulus or borrowing non-concessional resources just because it is offered by unscrupulous lenders. At the same time, removing tariff, non-tariff, and regulatory barriers to exports and imports as well as aggressive exchange rate management will be necessary to promote exports and import substitution.

The second policy lever involves reducing shock magnifiers such as debt burdens and banks' prudential ratios. This will be more difficult in the immediate term given pressures arising from the urgent need to spend public money—even though government revenues have collapsed—to sustain economic activity by ensuring adequate liquidity in the financial system and in businesses. But these shock magnifiers do point to some important policy actions the government can take.

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<sup>44</sup> See Broadberry S and others, 'Growing, shrinking, and long run economic performance: Historical perspectives on economic development', NBER Working Paper 23343, April 2017

Quite apart from aggressively using grant aid and concessional financing, Myanmar needs to be proactive in seeking external sovereign debt restructuring and even forgiveness. Similarly, while CBM forbearance on banks' prudential limits may be necessary to inject liquidity into banks and firms, the authorities should recognise that balance sheet repair will ultimately become necessary to eliminate the post-COVID scar tissue that will undoubtedly remain.

The third policy lever for risk management would be policy flexibility and the government's responsiveness to new information and changing conditions. The unprecedented uncertainties facing Myanmar and the world make it particularly important that the government be adroit and nimble in adjusting policies to suit shifting circumstances. In Myanmar's case, policy adjustments would be the relatively easy part: getting the bureaucracy to implement frequently adjusted policies will likely be much more difficult. Given Myanmar's well-known administrative capacity constraints, policy reforms should be kept simple and "administration lite". Optimal policies are of no use if they cannot be implemented. The best should not become the enemy of the good. To the extent possible, policies need to be market-sensitive and incentive-based and not dependent on administrative decisions where bureaucrats have discretion. Wherever possible, licencing should be kept to a minimum, tariff structures—whether for trade or utilities—should be simple, and tax expenditures should be eliminated. The CERP's elimination of certain licencing requirements and licence fees should be made permanent. The government—with the financial and technical support of the international community—should try to digitise everyday interactions between the public and the government for such things as utility and tariff payments, licence issuing and, taxation, and cash transfers. Using digitisation to increase government efficiency will also improve governance quality, reduce the load on limited administrative capacity, and make it easier to implement policy adjustments in light of changing circumstances.

**Increasing access to finance:** Even before the crisis hit, Myanmar's financial sector was labouring under legacy asset problems and several, if not all, banks were known to be substantially undercapitalised (Figure 15). Long overdue reforms in the banking system—such as the 2017 prudential regulations and the substitution of term loans for overdraft facilities—helped introduce some transparency to bank portfolios, but they also revealed yet more non-performing loans and a greater need for recapitalisation.<sup>45</sup> The CBM had given banks until the end of August 2020 to meet their capital and exposure requirements. But when the COVID-19 crisis hit, the CBM pushed back the deadline to the end of August 2023.<sup>46</sup> This additional forbearance made eminent sense given the substantial—but as yet undetermined—increase in non-performing loans wrought by the crisis. But there should be little doubt that the fiscal costs of resolving the bad debt problem in banks have risen not only because of the current crisis but because the day of reckoning has been postponed.<sup>47</sup> It is important that between now and 2023, the CBM redoubles its supervision and oversight to monitor the asset quality of bank portfolios, keeps track of their non-performing loans and recapitalisation needs, continues to limit bank exposures to real estate, keeps an eye on single borrower limits, and begins formulating appropriate resolution and financing strategies.

<sup>45</sup> IMF, '2019 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Myanmar', March 2020, accessed 14 July 2020 at <https://www.imf.org/~/media/Files/Publications/CR/2020/English/1MMREA2020003.ashx>

<sup>46</sup> Myanmar Financial Services Monitor, 'Deadlines for prudential regulations deferred to 2023', April 30, 2020, accessed 14 July 2020 at <https://finance.frontiermyanmar.com/news/banking/deadlines-prudential-regulations-deferred-2023>

<sup>47</sup> The experience of financial crises has shown that the longer bad debts remain on the balance sheets of banks, the bigger become the recapitalization costs

**Figure 15: Myanmar's Regulatory and Tier 1 Capital Ratios: Asia's Lowest  
(In percent, end-2018)**



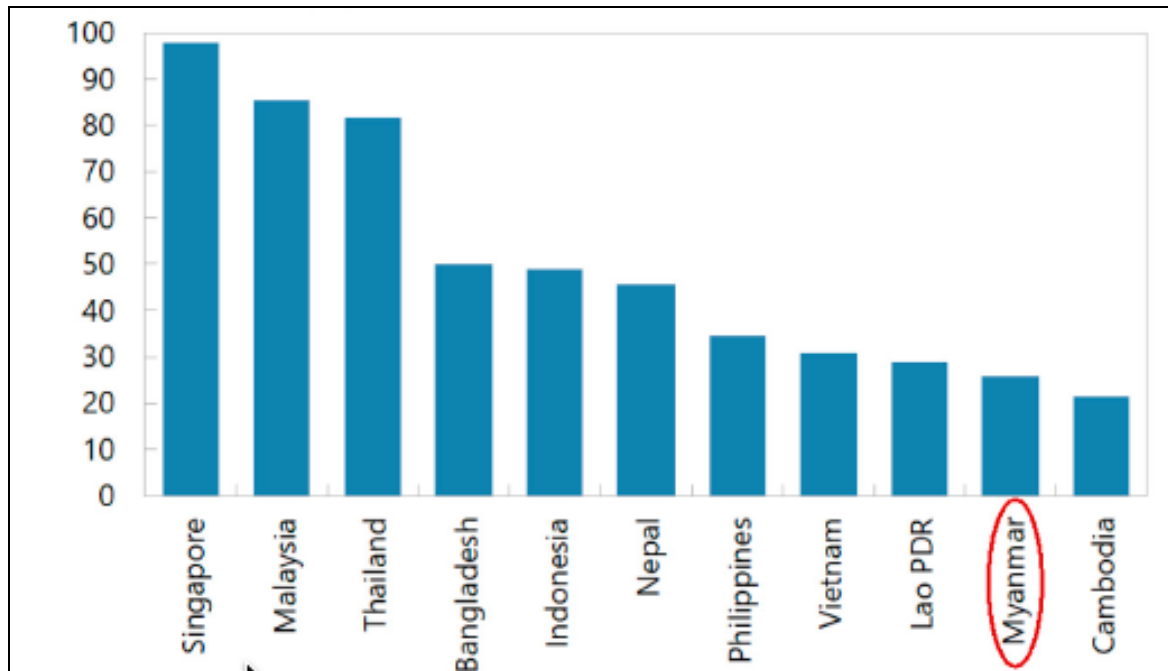
**Note:** Data for Myanmar is as of the end of September 2018; the Tier 1 ratio is imputed  
**Source:** IMF 2019 Article IV Consultation

The CBM also has the immediate task of ensuring that the financial sector has adequate liquidity even as the quality of bank portfolios continues to deteriorate. Moreover, as the recommendations above indicate, there is an urgent need to develop well-established channels to facilitate refinancing of bank (and MFI) loans to MSMEs that will help protect widespread closures and further delinquencies on existing loans. This would require setting up a co-ordination mechanism between the CBM, the MoPFI, and other relevant ministries.

The relatively weak state of the banks explains, in part, why improving access to finance poses such a challenge. That Myanmar is underbanked is well known (see Figure 16). And laudably, the government's Private Sector Development Framework and Action Plan says the aim is "to create a financial sector that meets the needs of Myanmar's people, including small businesses, rural dwellers, women, and ethnic groups."<sup>48</sup> Indeed, these are precisely the groups most negatively affected by COVID-19. Yet, given information asymmetries, high information costs (especially in the absence of credit information bureaus), a lending rate ceiling of 14%, and the fragility of bank balance sheets, expanding access to finance has to be done in ways that cover costs and do not add to systemic risk.

<sup>48</sup> Myanmar Investment Commission and others, 'Indicative Private Sector Development Framework and Action Plan', March 2016, accessed 15 July 2020 at [https://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/psd\\_framework\\_final\\_01\\_apr\\_englidh.pdf](https://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/psd_framework_final_01_apr_englidh.pdf)

**Figure 16: Access to the Formal Financial System**  
(Access to a bank account;% of the adult population)



Source: World Bank's World Development Indicators; IMF

One promising avenue for financial inclusion that is consistent with systemic risk management is the introduction of digital financial services. Digital financial services—mobile financial services, payment cards, mobile wallets, and other financial technology (fintech) applications—bring with them development benefits. Studies show that access to digital financial services improves income earning potential (thus reducing poverty), helps manage financial risk, lowers the cost of sending and receiving payments, and for government-related transactions increases efficiency and reduces corruption.<sup>49</sup>

For Myanmar, introducing digital financial services during the COVID-19 crisis facilitates e-commerce because it allows for contactless financial transactions while also conveniently leaving a digital trail that significantly reduces information asymmetries for banks. Finally, a better payment system would also facilitate conditional cash transfers that will likely be an important part of any COVID relief measures.

The Myanmar authorities need to encourage banks and MFIs to deploy digital payment technologies and explore fintech collaborations with foreign partners. Even foreign banks are turning to more tech-savvy fintechs to help drive innovation, lower costs, and improve customer experience. During the COVID-19 crisis, it is important that any efforts to develop government electronic systems (to channel cash transfers, for example) should be well-integrated with digital financial services platforms provided by fintech firms, mobile money companies, and digital banking. These arrangements could prove critical in providing wide-reaching policy support promptly and without physical contact.

<sup>49</sup> Demigurc-Kunt A and others, 'Financial Inclusion and Inclusive Growth: A Review of Recent Empirical Evidence', Policy Research Working Paper 8040, World Bank, accessed 15 July 2020 at <http://hdl.handle.net/10986/26479>

Myanmar represents virgin territory for expanding the use of mobile and digital financial services (Figure 17). But fully exploiting Myanmar's digital financial potential will require access to the digital financial infrastructure, greater financial and digital literacy, and an appropriate level of cybersecurity.<sup>50</sup> There are some green shoots of innovation in Myanmar, like DaNa's Fintech Challenge Myanmar programme,<sup>51</sup> that show promise and are generating interest and enthusiasm in the Myanmar fintech ecosystem. These efforts, however, must be greatly intensified and systematised. The CBM appears keen to draft the necessary regulations to protect users of digital services against fraud and abuse, incorporate data privacy concerns, ensure cybersecurity standards, promote appropriate digital identification technologies, foster competition and innovation consistent with financial system stability, and ensure that Myanmar meets the Financial Action Task Force's standards for anti-money laundering and combating the financing of terrorism.<sup>52</sup> The CBM may wish to study Indonesia which is experiencing a rapid expansion of startups in the digital finance space such as Crowde, a peer-to-peer lending platform that crowd-funds working capital for Indonesian farmers, as well as Ovo and Dana, two major Indonesian mobile wallets.

**Figure 17: Myanmar: Financial Inclusion Snapshot  
(2017, Share of Myanmar adult population)**

| Survey question: "In the past year, did you...?"                             | Myanmar       |         | World |
|--|---------------|---------|-------|
|  | Nation-wide % | Rural % | %     |
| Use the internet to buy something online                                     | 3             | ..      | 24    |
| Save at a financial institution  | 8             | 7       | 27    |
| Borrow to start, operate, or expand a farm or business                       | 2             | 2       | 11    |
| Sell assets as the main way to raise emergency funds                         | 7             | 9       | 2     |
| Receive government transfers   | 3             | 3       | 14    |
| Use a mobile phone or the internet to access a financial institution account | 1             | 1       | 23    |
| Make or receive digital payments   | 8             | 5       | 52    |
| Own a mobile money account   | 1             | 0       | 4     |

**Source:** World Bank Global Financial Inclusion (Findex) Database, 2017<sup>53</sup>

To provide a safe consumer experience with digital financial services in Myanmar, appropriate regulations need to be accompanied by a comprehensive programme to encourage financial and digital literacy. With the support of the international community, the authorities need to urgently initiate a five step process to:

1. Map and evaluate existing initiatives
2. Identify gaps and prioritise needs
3. Set up a governance mechanism for co-ordination
4. Prepare an action plan with clear responsibilities for different participating organisations
5. Deliver and monitor financial and digital literacy services with implementing partners.

<sup>50</sup> Eriksson U and others, 'Digital Financial Inclusion in the Times of COVID-19', IMF Blog, 1 July 2020, accessed 15 July 2020 at <https://blogs.imf.org/2020/07/01/digital-financial-inclusion-in-the-times-of-covid-19/>

<sup>51</sup> See <http://fintech.danafacility.com/> for more details

<sup>52</sup> Anti-money laundering and countering the financing of terrorism is a global initiative managed by the Financial Action Task Force, a multilateral organisation; it should be noted that on 7 May 2020 the European Commission added Myanmar to a blacklist of 22 countries for failing to enforce curbs against money laundering and the financing of terrorism

<sup>53</sup> Accessed 15 July 2020 at <https://openknowledge.worldbank.org/bitstream/handle/10986/29510/9781464812590.pdf>

In the absence of a comprehensive and effective literacy programme, Myanmar’s users of digital financial services could more easily become victims of inappropriate lending practices or cybersecurity risks, which would erode trust in these innovative fintech programmes and in the financial system more generally.

### 6.3 Broader Policy Environment for Private Sector Development

In addition to the 3 priority areas described above, the Myanmar government should continue to accelerate the broader policy reforms incorporated in its Private Sector Development Framework and Action Plan that was the guiding PSD approach prior to the COVID-19 crisis. The policy reforms are outlined below for sake of completeness.

**The legal and regulatory environment:** The current legal and regulatory framework for private investment in Myanmar can be simplified and streamlined significantly. Its current form encumbers businesses with multiple layers of laws, regulations, and procedures—some which overlap while others are outdated or inconsistent. Ironically, many of these laws and regulations serve little purpose other than to dampen investor interest, raise the costs of doing business, increase entry and exit barriers (a substantial detriment to productivity growth), preserve local monopolies, and promote corruption. In any event, the judicial system lacks the capacity, incentives, and skills to deal with legal disputes objectively and competently. The twin demand and supply shocks triggered by COVID-19 have highlighted more than ever before the need to reduce unnecessary red tape and bureaucracy-driven delays. These subtract, not add, value for Myanmar’s foreign and, more importantly, domestic businesses, especially MSMEs.

The government has called for “legal and regulatory frameworks which provide a clear and stable foundation for business activity and are applied fairly and transparently”.<sup>54</sup> To achieve this in a transparent and consistent manner, the Myanmar Private Sector Development Framework and Action Plan includes recommendations involving whole of government efforts to reorganise current procedures for drafting laws and procedures, vetting drafts to ensure there are no contradictions or inconsistencies with the existing body of laws, consulting all stakeholders to seek feedback on drafts, and conducting communication campaigns for new laws.

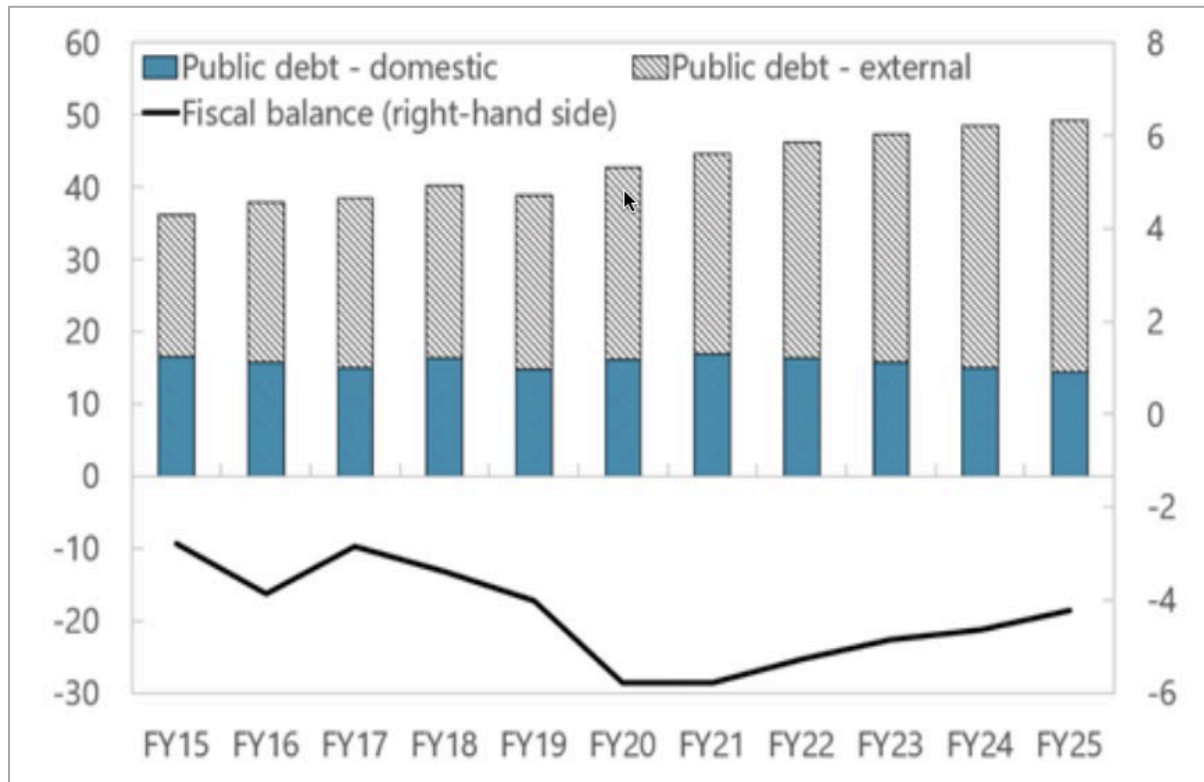
**Trade and investment promotion:** As mentioned above, the challenges of responding to COVID-19 will imply having a dual track approach to trade development: a recovery period of 1 to 2 years plus a longer-term action plan to strengthen overall resilience of the country’s export and import substitution industries. The National Export Strategy will play a major role in guiding reform and promotion in trade. On investment, the major disruption to inflows of foreign direct investment caused by COVID-19 will likely last for at least another year if not two. But the continuation of low global interest rates will drive international investors to search for yield. Myanmar is well-located geographically, close to the large markets of China, India, and Southeast Asia. To attract FDI, therefore, it needs 4 other characteristics: macroeconomic and political stability; a sound policy environment (for trade, private investment, and exchange rates); a well-trained and productive workforce; and good infrastructure. Not only does Myanmar have to put these 4 components together (implying formidable reforms), but it has to do it better than its neighbours if it is to successfully compete for foreign investment resources.

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<sup>54</sup> Indicative Private Sector Development Framework and Action Plan’



**Figure 18: Myanmar's Rising Deficit and Public Debt Burden  
(% of GDP)**



Source: IMF

**Restructuring the state's role in business:** The state's role in business and service delivery in Myanmar has been in transition since the late 1980s, when all infrastructure and major commercial activities involved the state. Budget constraints and the country's high exit barriers, protectionist trade policies, and the lack of contestability meant that state-owned enterprises (SOEs) had little incentive to improve competitiveness. As a result, productivity growth languished and Myanmar's goods and services became increasingly uncompetitive in world markets. Since the initiation of economic reforms nearly a decade ago, however, the Myanmar government has not only reduced its direct role in the economy but has also encouraged the entry of domestic and foreign companies that now compete directly with state enterprises in some sectors.

Nevertheless, the 30-odd state enterprises that remain still play an important role. They employ about 145,000 workers and their activities account for half the revenues and expenditures of the budget. Some of the largest and most powerful of them operate in the natural resources sector—Myanmar Oil and Gas Enterprise, Myanmar Gems Enterprise, and Myanmar Timber Enterprise—while others have a presence in airlines and telecommunications. Most unusually, some of them not only collect taxes but have also been made responsible for regulating the sectors they operate in. Their accounts are opaque—until recently they were not required to submit all their profits to the government—and companies are run by various ministries.<sup>55</sup> They may resemble state enterprises that operate in other parts of Southeast Asia, but the resemblance is superficial. They differ

<sup>55</sup> In June 2019, the cabinet issued a directive requiring all state companies to transfer revenues to the treasury or Internal Revenue Department, but the extent of implementation is not clear

fundamentally because of their greater inefficiency, opacity, poor management, and their vulnerability to corruption.

State enterprise reforms also have an important fiscal dimension. Over coming months and years, Myanmar will have many new and significant public spending priorities. These priorities include revamping and upgrading the country's health infrastructure; providing income support to very poor households in rural and urban areas to prevent widespread destitution; injecting liquidity and resources into SMEs and microenterprises to avoid further closures, bankruptcies, and unemployment; and building shock absorbing buffers to deal with the very turbulent period that lies ahead. At the same time, revenue mobilisation will prove difficult, the budget deficit will inevitably rise, and the public debt burden is bound to increase (see Figure 18). It is imperative, therefore, for the government to economise on fiscal resources wherever it can.

One way to do this would be to cut low-priority expenditures—such as subsidies, budget subventions, and tax expenditures, especially to SOEs—and reallocate the savings toward high-priority uses. At the same time, the government (and the CBM) will need to ensure that directed lending to state enterprises does not crowd out support for the private sector (noting that lending to state firms would usually constitute a less efficient use of resources). The government should also place pressure on SOEs to tighten their belts, become more efficient, increase their net contribution to the budget, and reduce the economic burden they place on the rest of the economy. Doing so will require improvements in corporate governance, ambitious output and outcome performance indicators coupled with performance incentives (and disincentives for failure to reach targets), and increased transparency of accounts through published audits and annual reports.

Finally, government procurement should be opened to the private sector, especially in infrastructure. The Private Sector Development Framework and Action Plan underlines the need for an effective public-private partnership (PPP) programme that will give the government an option beyond traditional procurement and reliance on SOEs to undertake needed infrastructure services while achieving value for money.<sup>56</sup> Encouraging PPPs can bring benefits that have been made even more important because of COVID-19.<sup>57</sup> It would bring in private resources and ease the budgetary burden. And it would involve greater participation by the private sector, including foreign investors, in infrastructure development and that could help spur greater efficiency in state enterprises.

For several reasons, however, PPPs should not be seen as a magic bullet, at least not in the near term. Building a policy and institutional framework supportive of PPPs will take a long time, in part because it will require:

1. Creating coherence in the SOE reform programme and ensuring that state firms operate on commercial principles, with independence, sound corporate governance standards, transparency, and accountability
2. Establishing a credible, transparent, competitive, and efficient procurement process that places all enterprises, public and private, on an even playing field
3. Establishing processes for infrastructure project identification, design, and evaluation in key ministries to generate a solid pipeline of well-designed, viable infrastructure projects

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<sup>56</sup> 'Indicative Private Sector Development Framework and Action Plan'

<sup>57</sup> As pioneered by the Myanmar Project Bank, a whole-of-government platform facilitating the effective, co-ordinated and transparent identification and financing of major investment projects; see <https://projectbank.gov.mm/en/>

4. Strengthening institutional capacities and specialised agencies to implement PPP projects and channelling technical assistance to participating state enterprises and implementing agencies
5. Incorporating PPP principles and procedures into the legal system (including land acquisition) in ways that credibly ensure objective, streamlined, dispute resolution mechanisms for all stakeholders.

Precisely because this is a daunting, long-term agenda, work on it should begin immediately, but with the recognition that it will take several years to yield results.

**Building Myanmar’s human capital:** Global experience shows that human capital is vital to the emergence of a vibrant and competitive private sector and a modern economy. In Myanmar, human capital will be particularly critical to support the key economic transition to the post-pandemic world. In particular, this will require a sound policy framework to ensure that general education and various forms of technical and vocational education work to meet expanding needs for both soft skills (such as critical thinking, creativity, problem-solving, and communication) and hard skills (for example, those related to computer technology and fintech).

The government recognises the need “to support efforts to strengthen Myanmar’s human capital (including ‘soft’ and ‘hard’ skills), promote emergence of an inclusive, vibrant private sector and economy, and achieve growth, poverty reduction, and broader socioeconomic goals for all”.<sup>58</sup> Looking ahead, strong efforts are needed to ensure the National Education Strategic Plan is fully implemented and backed by adequate financial resources. This will involve higher budget allocations, support from development partners, deepened stakeholder co-ordination in assessment and forward planning, and the promotion where appropriate of private investment including public private partnerships and university-industry linkages.

#### 6.4 Cross-Cutting Themes for PSD

COVID-19 has highlighted several additional issues relating to business development and its potential contribution to creating jobs and incomes, in particular among the poor and disadvantaged. The promotion of MSMEs is dealt with in Section 5; a number of additional areas are raised below.

**Gender and social inclusion:** In Myanmar, cultural gender-based norms constitute the major impediment to women’s meaningful and equitable inclusion in the economy. Unfortunately, COVID-19 has amplified these challenges. The majority of women in secure, paid jobs are self-employed or work in family-owned businesses. They also tend to work in the informal sector, which generally means lower wages and longer working hours. The 2017 Labour Force Survey reported that 91% of female workers are in the informal sector, compared to 77% of male workers. But just because women are employed does not mean they are empowered or have achieved equality because workplaces unfortunately reflect the same social inequalities that pervade the rest of society. Women are also less likely to be in positions of business leadership and decision making, management, or ownership—they make up only 27% of owners and 30% of managers. Exclusion and discrimination along gender lines not only prevent women from reaching their economic potential as entrepreneurs and workers, they also entrench poverty within communities and

<sup>58</sup> ‘Indicative Private Sector Development Framework and Action Plan’

households, drive social unrest, and reduce the growth potential and competitiveness of the economy.

It is important that policies designed to deal with the COVID-19 crisis are sensitive to the gender-differentiated dimensions of the crisis, ensuring that:<sup>59</sup>

- Data on the COVID-19 crisis disaggregated by gender should inform policy interventions and social protection programmes
- Quarantine facilities should be designed with women's needs in mind
- Cash transfers pay special attention to female-headed poor households
- Gender-based violence should be addressed through prevention as well as protection, especially in remote and conflict-prone areas
- Authorities should protect female sex workers against sexual and gender-based violence by investing in their peer networks such as Sex Workers in Myanmar
- Fiscal pressures generated by the crisis should not divert from critical programmes supporting sexual and reproductive health
- Efforts are reinforced to incorporate marginalised women's and minority groups into mainstream health services
- Efforts are redoubled to make sure women are represented and engaged in the design, planning, and implementation of the government's response to the COVID-19 crisis.

The government should also address gender-based economic and power inequalities as part of its long-term strategy in support of an inclusive post-COVID economy. There are strong reasons for innovative approaches to increasing gender equality. Gender economics is smart economics. It can increase national productivity, promote inclusion, build social capital, make institutions and policies more representative, and increase the resilience of households to shocks.<sup>60</sup>

The most enduring approach to improving gender equality would be to embed women's rights and gender equality objectives in policies and procedures in the private and public sectors as well as in government and political institutions.<sup>61</sup> To the extent possible, all statistics should be gender disaggregated to provide an evidence-based approach to designing and evaluating government policies and programmes. All projects need to be subjected to a social cost-benefit and environmental impact analysis as well as a gender impact analysis. For example, some infrastructure priorities would score highly on all counts, including rural electrification, water and sanitation, clean energy sources (especially for household cooking), and rural transport. Similarly, government interventions supporting early childhood programmes, especially for young girls, and reproductive health initiatives have low costs and high returns. In addition, justice reforms need to be specially concerned with women's rights, including the prevention of violence against women and increased women's access to justice (notably in rural areas). Finally, the government needs to recognise that conflict is especially damaging to the welfare of women and young girls, and this places a premium on ensuring an enduring peace in Myanmar's ethnic regions as well as on conflict resolution initiatives and post-conflict planning.

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<sup>59</sup> 'CARE Rapid Gender Analysis'; See also Center for Good Governance, 'Gender equality and social inclusion in the governance of the Myanmar response to COVID-19: A rapid scoping', May 2020

<sup>60</sup> ADB, 'Gender Equality and Women's Rights in Myanmar: A Situation Analysis', October 2016, accessed 15 July 2020 at <https://www.adb.org/sites/default/files/institutional-document/209596/gender-equality-womens-rights-myanmar.pdf>

<sup>61</sup> These should include (but not be restricted to) socioeconomic rights, such as property ownership (including land) and access to education, health, and security

**Facilitating the generation of social impact by business:** Business must play a crucial role in working towards the ambitious sustainable development goals, the achievement of which is doubtless significantly negatively affected by COVID-19. Inclusive business is an innovative approach by the private sector to stimulate economic growth that engages with people at the base of the economic pyramid—people from poor and disadvantaged communities—ensuring they receive a fairer share of economic benefits. Inclusive businesses create economic opportunities and provide support for people at the base of the pyramid to participate in, and benefit from, economic growth.<sup>62</sup> Given the impact of the pandemic on Myanmar, the relevance of inclusive business is now more apparent than ever. Large parts of the population work in the informal sector or are daily wage workers. Lockdown or restricted travel often means people from poor communities are deprived of income, leaving them unable to meet their basic needs. Although businesses have also been affected, the adoption of inclusive business models can enable them to offer meaningful responses to the social and economic challenges of COVID-19. The government already has an ambitious inclusive business and impact investment policy framework in place, including awareness activities, accreditation, and incentives.<sup>63</sup>

**Strengthening the business environment in remote, rural and marginalised states and regions:** Many of those seriously affected by the COVID-19 crisis are located in these areas. The business environment in these areas is challenging, to say the least.<sup>64</sup> As a part of the transition to the post-COVID-19 environment, there exist many opportunities for state and region governments to work together with central government agencies and the business communities to enhance subnational economic governance and improve business environments across the country. The analysis in the Myanmar Business Environment Index clearly identifies for each state and region where the potential lies for policy and regulatory improvements, especially those affecting MSMEs and rural enterprises. In addition, one recent dimension of inclusive business—last mile distribution—offers the potential to deliver affordable, high-quality products to the many people who live in poorly served or remote locations.

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<sup>62</sup> Myanmar has been implementing activities to encourage inclusive business for several years; see *Inclusive Business in Myanmar: An Agenda to Catalyse Social Impact*, 2018, at [https://www.dica.gov.mm/sites/dica.gov.mm/files/news-files/inclusive\\_business\\_in\\_myanmar.pdf](https://www.dica.gov.mm/sites/dica.gov.mm/files/news-files/inclusive_business_in_myanmar.pdf)

<sup>63</sup> A key proponent of inclusive business in Myanmar, the Directorate for Investment and Company Administration has indicated that it is seeking lessons from the COVID-19 experience on inclusive business to feed into modifications to the investment rules and regulations

<sup>64</sup> 'Myanmar Business Environment Index 2019'

## 7. Conclusions

The word “unprecedented” has been used so often to describe the impact of the pandemic that it has lost much of its meaning. But there are few other words that can adequately describe the economic havoc wreaked by the virus throughout the world. Fortunately, the health consequences of the pandemic within Myanmar have been relatively muted so far. At the same time, however, like all economies around the world, Myanmar has been hit hard from shocks emanating from multiple directions—border closures; a collapse in world trade, commodity prices, and remittances; the return of 75,000 migrants; widespread disruption of supply chains; production stoppages; self-isolation driven by infection fears; policy-induced lockdowns; and a sudden rise in precautionary savings. Contact-intensive sectors (tourism, hotels, restaurants, airlines) have been hit the hardest, followed by trade-intensive industries (notably garments and other manufacturing). Unfortunately, the poor have been hurt disproportionately, especially those in informal urban services, while marginalised and vulnerable groups are at even greater risk than before. The growth consequences are dire for 2020, and although international organisations project a rebound in 2021, the Myanmar authorities would be well advised to brace for a turbulent few years ahead.

When everything seems critical, prioritisation becomes essential. With this in mind, there is nothing more urgent and important for Myanmar than to protect its human, social, and physical capital. This report identifies three immediate priorities to achieve this.

The first is the critical importance of ensuring the virus does not gain a greater foothold in the country while at the same time introducing health protocols that permit a return to normal production without the risk of reigniting its spread. The second is to recognise that the pandemic is only one of many risks that confront Myanmar and that it must prepare itself for additional shocks that will inevitably emerge in the near future. And the third is to preserve social capital embodied in existing productive businesses by providing adequate liquidity needs, especially to MSMEs that form the backbone of the economy.

At the same time, the COVID-19 crisis has demonstrated more forcefully than ever that Myanmar needs to persevere with its medium-term reform agenda for private sector development. The economy must continue on its earlier course of catching up with its neighbours by harnessing global resources and technologies and positioning itself for recovery and prosperity in a post-COVID world. This requires pressing ahead with strengthening the design and implementation of policies in key areas such as trade and foreign investment, the legal and regulatory framework for private investment, the role of state-owned enterprises, development of human capital, gender and social inclusion, policies and activities to strengthen the role of businesses in creating social impacts, and improving the business environments in the country’s states and regions.

## **List of Annexes**

The DaNa Facility team will be regularly updating these Annexes so readers will always be able to obtain more recent data, survey lists, and references.

[\*\*Annex 1: Assessing the Impact of COVID-19 in Myanmar\*\*](#)

[\*\*Annex 2: A Compilation of COVID-19 Materials in Myanmar\*\*](#)

[\*\*Annex 3: COVID-19 Response Institutions in Myanmar\*\*](#)

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