

**FOR
AGENDA**

SM/02/316

CONTAINS CONFIDENTIAL
INFORMATION

October 9, 2002

To: Members of the Executive Board

From: The Secretary

Subject: **Myanmar—Selected Issues and Statistical Appendix**

This paper provides background information to the staff report on the 2002 Article IV consultation discussions with Myanmar (SM/02/307, 10/1/02), which is tentatively scheduled for discussion on **Wednesday, October 23, 2002**. At the time of circulation of this paper to the Board, the Secretary's Department has received a communication from the authorities of Myanmar indicating that they do not consent to the Fund's publication of this paper.

Questions may be referred to Mr. E. Prasad (ext. 38493), Ms. Kongsamut (ext. 34541), and Mr. Zebregs (ext. 38731) in APD, and Mr. Ilahi, PDR (ext. 36689).

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Friday, October 18, 2002; and to the Asian Development Bank, the Food and Agriculture Organization, and the United Nations Development Programme, following its consideration by the Executive Board.

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MYANMAR

Selected Issues and Statistical Appendix

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Approved by the Asia and Pacific Department

October 7, 2002

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I. RECENT DEVELOPMENTS

A. Overview

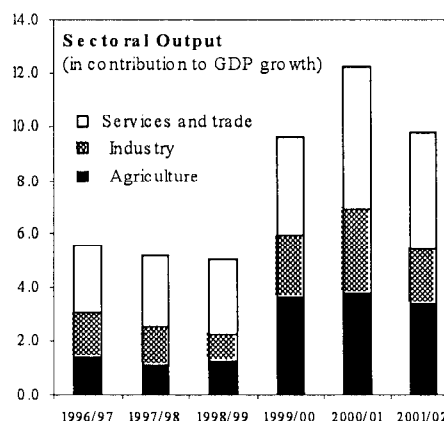
1. **Myanmar is a country with great potential, but a prolonged period of economic mismanagement has resulted in very low living standards.** Myanmar is rich in natural resources and is located in a region of dynamic growth including two of Asia's economic powerhouses: China and India. Yet, poverty is widespread and is reflected in low incomes, child malnutrition, poor health, and low levels of educational attainment. Economic policy is highly interventionist and guided by ad hoc measures rather than a coherent policy framework. The Central Bank of Myanmar (CBM) passively finances the sizeable public sector deficit, which has resulted in high rates of inflation and a sharp depreciation of the Kyat in the parallel market. Spending priorities favoring defense have limited expenditures on social needs, resulting in widespread poverty and low levels of human development indicators. The quality of Myanmar's institutions remains low (see Annex I). A continuation of current policies is bound to translate into a sharp reduction in Myanmar's potential, because of their devastating impact on human capital.
2. **The economy continues to suffer from a chronic shortage of foreign exchange.** International sanctions, in combination with economic policies that discourage foreign investment, have resulted in the drying up of capital inflows to all but a trickle. The authorities have responded to the shortage of foreign exchange by introducing extensive trade restrictions, which have only added to the problem. As a result, output growth is constrained by a shortage of imported inputs and a considerable portion of foreign debt has fallen into arrears.
3. **In spite of the difficult economic situation, official statistics report a pick up in GDP growth in recent years.** According to official statistics, GDP growth increased from about 6 percent in the late 1990s to over 10 percent in recent years. However, alternative indicators of economic activity (agricultural yields, cement production, and international trade) and anecdotal evidence present a less optimistic picture and suggest that GDP growth may be overstated, but there is not enough information to confirm this. The public sector deficit has remained sizeable and continues to be a source of high inflation. The current account deficit has improved in comparison with historical levels, following a strong export performance, and despite a deterioration in the services balance and a fall in private transfers. Due to declining external financing, most of the current account deficit has been financed by accumulation of external arrears with only small changes in international reserves. Myanmar's external indebtedness has remained high with arrears accounting for an increasing portion.

B. Real Sector Developments

National income accounts

4. **According to official statistics, GDP growth was robust in recent years.** The growth rate of GDP jumped to 10.9 percent in 1999/00 and then to 13.7 percent in 2000/01 driven by strong investment growth, mostly in construction. On the production side, growth was led by agriculture, trade, and, to a lesser extent, manufacturing. Preliminary estimates indicate that GDP growth remained robust at 10.5 percent in 2001/02, as activity in most sectors of the economy was broadly sustained.

5. **Though constrained by various factors, agricultural output growth remains the driver of GDP growth.** Agriculture is the back-bone of the Myanmar economy, accounting for close to 50 percent of output, with the staple crops consisting of rice, and pulses and beans.¹ In recent years, agriculture has directly contributed roughly a third to overall GDP growth, recording double-digit growth in 1999/00 and 2000/01, after which it slowed to 6 percent in 2001/02.² Even so, agricultural output is currently constrained by a number of factors, including (i) an unmet need for fertilizer and other inputs because of foreign exchange shortages; (ii) poor incentives to increase rice production due to the virtual ban on private sector exports of rice, and the land tax implicit in the procurement system.^{3 4}



¹ Rice accounts for 40 percent of net agricultural output, and pulses and beans another 20-25 percent. The liberalization of exports of pulses and beans in the early 1990s triggered a large supply response, and these crops now provide the largest export earnings from agriculture.

² The fiscal year in Myanmar runs from April to March.

³ Large farms which have been involved in bringing new land under cultivation are allowed to export up to fifty percent of their rice output. However, most of the rice is produced by small farmers and rice exports by large privately-owned farms has been negligible.

⁴ The procurement system requires farmers to provide about 10 percent of their output to the state, usually at below market prices. This rice is then distributed to civil servants at subsidized rates, and the rest is exported. The forced procurement system induces farmers to provide the lowest-quality rice to the state; thus, any rice that is exported fetches low prices.

6. **Agriculture is also a major driving force in agro-processing activities in the manufacturing sector, and in supporting trade and services.** Reflecting the strong growth in agriculture, these latter activities also grew at double-digit rates over the past two years, contributing over a third to overall GDP growth during this period. Other industrial production in Myanmar is concentrated within 18 industrial zones throughout the country, and consists mainly of textiles and import-substituting activities. The industrial sector is relatively small in Myanmar, accounting for less than 10 percent of total output.

7. **Other indicators do not seem to paint the same picture of favorable growth.** For example, rice yields declined by 2 percent in 2001/02, following some years of stable growth. In other sectors, cement production has declined precipitously, and so have energy production and sales. Anecdotal evidence of power shortages abounds. There are, however, some offsetting factors. In agriculture, other crops such as pulses and beans continue to register strong increases in yields. In power generation, imports of generators and diesel fuels surged in 2001/02, supporting the anecdotal evidence that private businesses have been supplementing their energy needs by using generators.

8. **Severe data problems call for caution in interpreting the national accounts.** On the production side, the accounts have only recently been rebased from 1985/86 prices to 1995/96 prices, with the fully rebased data not yet available. On the expenditure side, the valuation of all foreign exchange transactions at official exchange rates introduces distortions in the trade data, and in the imported components of investment and consumption data. The growing divergence between the official exchange rate and the market-determined Foreign Exchange Certificate (FEC) rate only worsens the problem (see section on prices below). Finally, official figures do not capture informal market activities and provide only limited coverage of military-related activity, both of which appear to be substantial.

9. **The state sector has shrunk over the past decade, though many industries are still virtually fully public.** Since the initial wave of liberalization in the early 1990s, the state's direct role in the economy has declined. Nevertheless, the contribution of public enterprises to GDP remains significant, with near-monopolies in the energy, power, and communication sectors, although it has fallen from about 25 percent in the second half of the 1990s to 21 percent in 2000/01. Other areas in which the public sector has a substantial presence exceeding 40 percent of output include forestry, construction, financial institutions, and social and administrative services.

Labor market developments

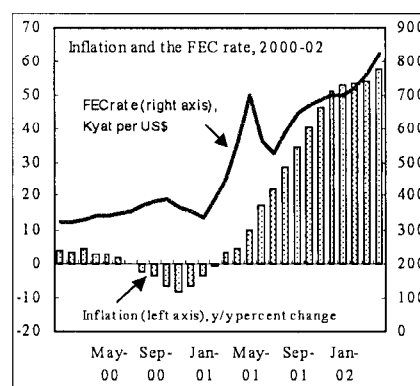
10. **Labor market data is sparse,** as the last comprehensive labor force survey was conducted in 1990, and aggregate data is based on projections made from prevailing trends at the time. Population growth was estimated to be around 2 percent in 2000, with labor force growth slightly lower at 1.85 percent. The official unemployment rate has hovered around 4 percent over the past few years. Compilation of data on public sector employment and wages has lapsed; though exact figures since 2000/01 are not available, the public sector

(including state economic enterprises) employs roughly one million civil servants, out of a labor force of around 20 million.

11. **Public sector wages were increased five-fold in 2000/01, but have yet to match private sector levels.** However, civil servants enjoy significant non-wage benefits, the largest of which is a rice subsidy which alone has a budgetary cost of about Kyat 10 billion per year.

Domestic prices and the exchange rate

12. **CPI inflation rose sharply over the past year, and the parallel market exchange rate plummeted.**⁵ Inflation tends to follow cycles in Myanmar, with the previous peak occurring in 1998/99 when average inflation reached over 49 percent. Since then, a trough occurred in 2000/01, when bountiful harvests and a reduction in deficit monetization helped bring inflation into negative territory. However, lagged effects from monetary expansion, in turn triggered by the spike in the fiscal deficit in 2000/01 (see Sections C and D), and persistently high inflation expectations drove inflation back up beginning in mid 2001. Headline inflation reached 54 percent at end-2001/02, driven by broad-based price increases, and resulting in average inflation of almost 35 percent in 2001/02. These effects also sparked a sharp depreciation in the FEC exchange rate, which fell from Kyat 353 to the U.S. dollar at end 2000 to Kyat 906 to the U.S. dollar in August 2002.⁶



C. Fiscal Developments

13. **The fiscal position in Myanmar is measured by the position of the nonfinancial public sector,** which consists of the Union Government and the state economic enterprises (SEEs). The 2002/03 budget includes 53 SEEs, controlling well over 1000 factories, which

⁵ A new CPI index, based on a 1997 household expenditure survey, was constructed and first reported in fall 2000. It is an improvement, both in terms of expanding geographical and commodity coverage, as well as valuation at market prices (rather than official prices). However, the index still only covers urban areas, though prices in rural areas tend to follow the same trend as in urban areas.

⁶ A dual exchange rate system exists in Myanmar. The official exchange rate, pegged to the SDR, hovers close to Kyat 7 to the U.S. dollar. It applies to transactions undertaken by the central government and the state economic enterprises. The remainder of foreign exchange transactions take place at the officially-sanctioned quasi-market Foreign Exchange Certificate (FEC) rate.

account for about 20 percent of GDP and about one third of public sector employment. The nonfinancial public sector deficit remained sizeable in the past three years. The deficit declined slightly to 4.5 percent of GDP in 1999/00, but it increased sharply to 8.3 percent in 2000/01. Preliminary estimates indicate that the 2001/02 deficit has fallen to 4.9 percent, but this outcome is still more than twice the projected deficit in the original budget. Budget overruns are the rule rather than the exception and are the result of a lack of budgetary control (Chapter 3).

14. **Fiscal deficits are largely monetized by the central bank.** Since the government has virtually no access to external financing, fiscal deficits are financed domestically through the issuance of treasury bills and bonds. The bulk of the deficit is financed by central bank purchases of treasury bills, although sales of bonds to commercial banks and the nonbank public have increased in recent years (Table 1). The contribution of net bond financing was about 40 percent in 1999/00 and 27 percent in 2000/01, compared to almost nil before 1999. However, preliminary estimates indicate that in 2001/02 banks and the nonbank public reduced their treasury bond holdings, while the central bank was a net purchaser of treasury bills in the amount of 6.8 percent of GDP.

Table 1. Myanmar: Financing of the fiscal deficit, 1998/99-2001/02

	1998/99	1999/00	2000/01	2001/02 Est.
	(In percent of GDP)			
Deficit	5.7	4.5	8.3	4.9
Foreign financing	0.2	0.0	0.0	0.0
Domestic financing	3.5	5.3	7.0	6.4
Central bank	3.2	2.9	5.5	6.8
Commercial banks	0.3	2.5	1.5	-0.4
Nonbank public	0.3	0.2	0.2	0.0
Statistical discrepancy	1.8	-1.1	1.2	-1.6

Source: Myanmar authorities, and staff estimates.

Union Government

15. **Revenue as a percentage of GDP has continued to decline.** All major revenue categories contributed to this decline. Tax collections dropped from 3.3 percent of GDP in 1998/99 to 2 percent in 2001/02, which is very low by international standards (Chapter 3). The authorities made progress in closing loopholes in tax laws and included new types of goods in the commercial tax schedule, but widespread tax evasion, a narrow tax base, customs valuations at an overvalued exchange rate, and poor tax administration have impeded a

reversal in the downward trend in tax revenues. Lower net transfers from SEEs also contributed to the decline in Union Government revenue, but it is not clear to what extent this reflects a change in the financial situation of the SEEs.⁷

16. **Public expenditure has fluctuated considerably in recent years.** Expenditure as a percentage of GDP fell by 1 percentage point to 6.6 percent in 1999/00. This was achieved largely through a reduction in capital outlays for defense and agriculture and forestry. In 2000/01, expenditure rebounded sharply to 8.6 percent of GDP due to a five-fold wage increase for the civil service and higher capital expenditures for defense, agriculture and forestry (construction of dams and reservoirs), and education. Preliminary estimates for 2001/02 indicate a decline in the expenditure ratio to 7.7 percent. As in the past, the public sector wage bill as a percentage of GDP declined, because nominal wages do not keep track with inflation.⁸ Capital expenditure declined to 2.8 percent of GDP as part of the previous year's increase was reversed. Capital outlays for public works and housing rose sharply, reflecting public investment in infrastructure (roads, bridges, and dams).

State Economic Enterprises

17. **The overall deficit of the SEEs has declined in recent years, but this does not appear to reflect improved performance.** Indeed, the revenues of SEEs as a percentage of GDP declined from 15 percent in 1998/99 to 11.5 percent in 2001/02. However, this decline was more than offset by a sharp reduction in expenditures from 20 percent of GDP in 1998/99 to 13 percent in 2001/02, in spite of the aforementioned wage increase. It seems therefore, that the smaller deficit of the SEEs was achieved through reduced transfers to the Union Government, which resulted in a larger deficit of the latter. The true financial health of the SEEs is further obscured by the valuation of their foreign exchange transactions at the official exchange rate.

18. **Privatization continued to proceed only slowly.** Of the 68 public enterprises that were scheduled for privatization in January 1999, 43 have been privatized and 9 have been leased to the public.⁹ Most of the privatized enterprises were small and medium-sized, including cinema halls and rice mills. The authorities have privatized very few of the large public enterprises, some of which have actually expanded their activities.

⁷ Because the SEE accounts are consolidated with those of the Union Government in a pool account—the State Fund Account (SFA)—it is not possible to determine the true financial position of the SEEs.

⁸ Wages are only part of the total remuneration of civil servants, who also receive in-kind benefits such as subsidized rice, housing, and transportation. Hence, part of the income of civil servants is implicitly indexed to inflation.

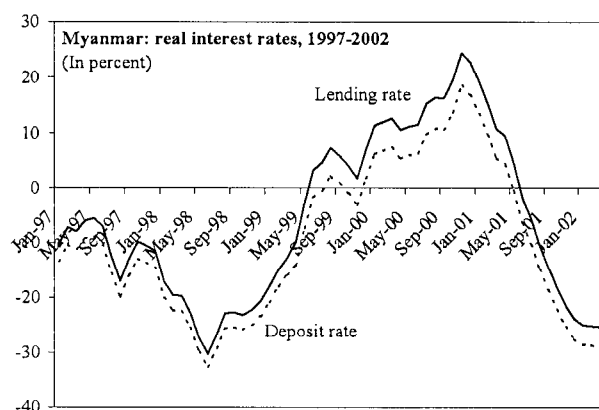
⁹ These enterprises also included subsidiaries of SEEs.

D. Monetary and Banking Sector Developments

19. **Monetary policy in Myanmar is subject to the borrowing needs of the nonfinancial public sector.** The Central Bank of Myanmar (CBM), which falls under the Ministry of Finance and Revenue, automatically finances the nonfinancial public sector deficit through the purchase of treasury bills. The CBM also acts as an intermediary for the issuance of treasury bonds to the banks and the nonbank public. This institutional setup has contributed to high rates of broad money growth and inflation.

20. **Interest rates are administered by the CBM.** Both lending and deposit rates are capped and linked to the central bank rediscount rate, which is currently 10 percent per year. The margin by which lending rates can exceed the rediscount rate is currently 5 percentage points. Deposit rates cannot exceed the rediscount rate. Although this system allows for some flexibility, in practice banks (private as well as public) have set interest rates at the margins determined

by the CBM, which has resulted in negative ex-post real interest rates for a large part of the time.



21. **Monetary conditions eased sharply in the past two years and this contributed to the recent pick up in inflation.** Broad money growth picked up from 31 percent (y/y) in 1999/00 to 47 percent in 2000/01 and 43 percent in 2001/02, while the Kyat depreciated by 43 percent in the parallel market during the same period. At the source of these developments was rapid reserve money growth fueled by a spike in CBM credit to the public sector in 2000 and 2001.

22. **Domestic credit growth has increased in recent years.** It increased from 31 percent (y/y) in 1999/00 to 37 percent in 2001/02, spiking at more than 50 percent in early 2001. Private sector credit growth was the main contributor to the upward trend, as it increased from 20 percent in 1999/00 to 57 percent in 2001/02. Growth in public sector credit from deposit money banks increased at a less dramatic pace from 37 percent in 1999/00 to 48 percent in 2000/01, after which it declined to 27 percent in 2001/02. Most credit to the government is from state-owned banks, whereas private banks tend to lend mostly to the private sector. Growth in private bank lending to the public sector slowed significantly from 1999/00 to 2001/02, in large part because these banks had satisfied their appetite for government bonds for liquidity purposes.

23. **Negative real interest rates contributed to rapid credit growth.** Interest rates were lowered in April 2000 in spite of continued high inflation. Lending rates were lowered by 0.5-

2 percentage points and deposit rates were lowered by 0.75-2 percentage points. Except for a brief period in 2001, real interest rates have been negative in recent years. Surprisingly, this does not appear to have had a large impact on deposit growth, which has remained robust at over 40 percent in 2000/01 and 2001/02. The share of foreign currency deposits and FECs (valued at the FEC exchange rate) in broad money did increase, however, from about 11 percent in 1999/00 to 13 percent in 2001/02. It has not been that high since the second half of 1998. Possible explanations for the high deposit growth are the lack of alternative investment opportunities, in particular for household savings; and further monetization of the economy. Deposit holding has become more convenient with the growing presence of private banks, which tend to be more efficient and offer better service than state-owned banks. This is reflected in the growing share of private banks in total deposits from 50 percent in 1998 to 73 percent at the end of March 2002.

24. **Private banks continue to expand their market share in the financial sector.** As of June 2002, there are 20 domestic private banks with altogether more than 200 branches across the country, and 26 representative offices of foreign banks. The share of private banks in domestic credit has increased from 15 percent in early 1998 to 41 percent at the end of March 2002. Their share in credit to the private sector rose from 47 percent to 85 percent over the same period. Private banks are generally profitable. Based on information provided to the CBM, the return on equity in private banks ranged between 1 and 38 percent in the fiscal year ending in March 2002. The average share of non-performing loans in total loans outstanding for private banks as a whole declined from 4.7 percent in March 2000 to 3.4 percent in March 2002, although at least 3 private banks have NPL ratios of more than 10 percent. The financial situation of the four state-owned banks is less favorable. Although Myanmar Economic Bank is making profits again, the profits of the other 3 have declined, and the share of non-performing loans in their loan portfolios is in the range of 10-20 percent.

25. **The authorities have promulgated an anti-money laundering law, although many regulations in the law still need to be specified.** This is a welcome step, which will contribute to the further strengthening of financial supervision and the soundness of the banking system in Myanmar. However, the introduction of the law, without sufficient preparation, raised concerns among depositors who were not sure about the purpose of the new law and the type of information they will need to disclose to the authorities.

E. External Sector Developments

26. **Strong export performance since 1999/00 resulted in an improvement in the current account balance compared to earlier years;** the current account deficit was 7 percent of GDP in 2001/02.¹⁰ The strong export performance was characterized by a sharp

¹⁰ Based on officially recorded GDP, converted at a weighted exchange rate. This a trade weighted average of the official and FEC exchange rates. The weights are 0.3 for the official (continued...)

rise of more than US\$700 million in public sector gas exports to Thailand beginning in 2000/01. About three quarters of the gas exports in 2000/01 and 2001/02 came from the Yadana gas field (a joint venture comprising Total of France, Unocal of the United States, the Petroleum Authority of Thailand and the Myanmar Oil and Gas Enterprise) while the rest were from the Yetagun field.¹¹ There was also robust growth in agricultural exports since 1999/00, with sharp increases in exports of rice, teak, hardwood and pulses and beans. Exports of pulses and beans increased by 50% over the period, largely as a result of improved access to the Indian market provided by foreign trading companies operating in Myanmar. Imports fell in 2000/01 due to a decline in imports of construction materials, machinery, transportation equipment and fuels. Imports then rose by about 18 percent in 2001/02 largely due to public sector imports for hydro-electric and infrastructure projects made possible by a gas export related loosening of the foreign exchange constraint. In 2001/02, the share of public sector exports in total exports jumped from 29 percent to 47 percent, while public sector imports as a share of total imports rose from 20 percent to 35 percent.

27. The services balance and net private transfers worsened over the period 1999/00 to 2001/02. Tourism and travel receipts, which had averaged about \$194 million between 1997/98 and 1999/00, dropped to US\$138 million in 2001/02, largely due to the continued effects of international sanctions. Services payments increased substantially from US\$455 million in 1999/00 to US\$769 million in 2001/02, driven by the repatriation abroad of gas-related profits of foreign companies. Net private transfers fell by more than one-third since 1999/00; part of this decline is explained by an increasing share of remittances flowing into Myanmar outside the official channel (and thus showing up in the errors and omissions).

28. The capital and financial account has been characterized by declining financing from abroad. Foreign direct investment continued to fall and was at less than a third of the level in 1998/99, due largely to poor economic prospects and international sanctions. Also as a consequence of the sanctions, disbursements of long-term loans to the public sector have registered a substantial decline in the last three years, with a large part of such financing now coming in the form of supplier's credit. However, such inflows may be understated as some SEEs record loan disbursements only when they service the debt rather than when disbursements are made—an accounting practice that spreads the recording of the disbursement over the repayment period and results in an incorrect classification of current period loan inflows under errors and omissions rather than as disbursements to the public sector.

rate and 0.7 for the FEC rate, reflecting the historical shares of the public and private sectors in Myanmar's in international trade.

¹¹ The sizable repatriation abroad of partner companies' profits as well as the external debt service (both included in the services account) means that the net effect of the gas project on the balance of payments is smaller than that suggested by export receipts.

29. **Myanmar has reduced the impacts of balance of payments changes on international reserves by a continued accumulation of arrears on its external obligations.** Increases in arrears, mostly to multilateral and bilateral creditors, accounted for more than one half of the current account deficit in 2000/01 and 2001/02 and, as a result, changes in the balance of payments have had only a small effect on international reserves. Gross reserves increased from a low level of US\$269 million (or about 1.4 months of imports) in 2000/01 to \$524 million (2.3 months of import cover) in 2001/02 mostly due to a US\$200 million short-term (six month) loan from Bank Negara, Malaysia.

30. **External indebtedness has increased since 1999/00, and may be even higher if some loan disbursements are properly accounted for.** While disbursements to the public sector have been small lately, the recent short-term borrowing to supplement reserves raised the stock of external public debt from 61 percent of GDP in 2000/01 to 73 percent in 2001/02. Furthermore, the delayed recording of disbursements by some SEEs may also understate the true extent of external indebtedness. Since these credits are not reflected in the external debt stocks at the time of disbursement, the reported stock of external debt tends to be lower than actual. According to staff estimates, external debt figures for 2001/02 are probably understated by about US\$ 200-300 million.

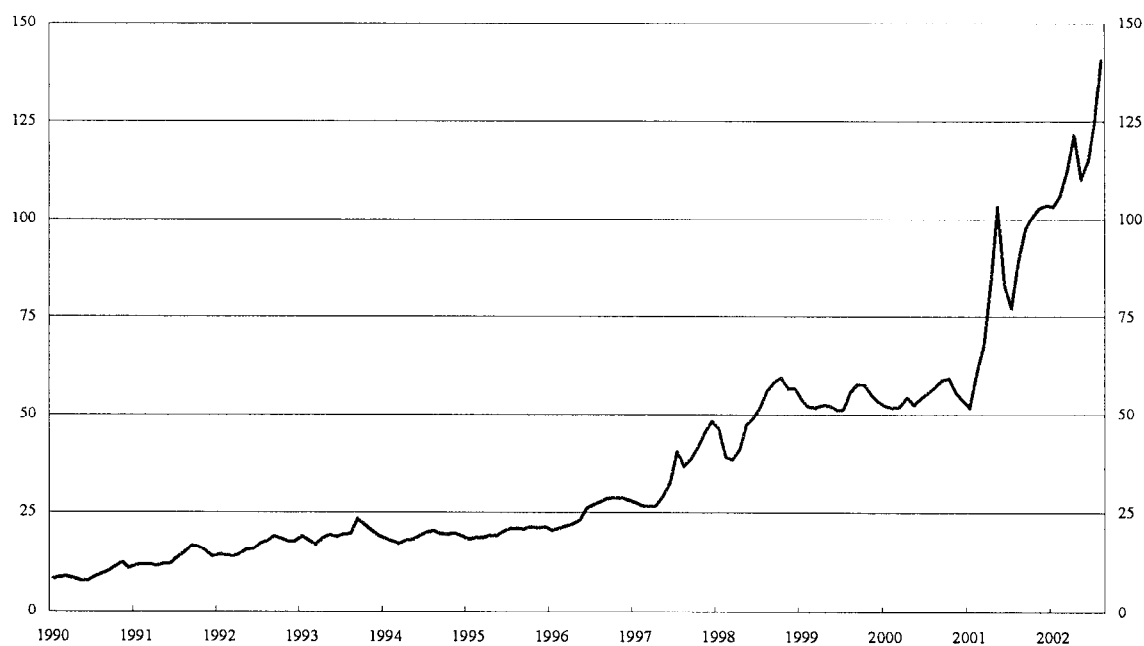
31. **Restraints on trade have increased over the last two years.** Since February 2002 foreign companies' licenses to trade in agricultural commodities have been revoked and such trade is now being conducted through the Myanmar Agricultural Produce Trading (MAPT).¹² On the other hand, border trade transactions are now allowed in neighbor country currencies, with trading in Rupee and Yuan allowed since November 2000, in Baht since January 2001 and in Kip (Laos) since May 2001.

¹² Private trading firms had been active in the export of pulses and beans and were largely responsible for the sharp increases in such exports over the last two years.

II. POLICY CONSIDERATIONS IN EXCHANGE RATE UNIFICATION¹³

32. **This chapter highlights the economic costs of maintaining a dual exchange rate regime (DER) and analyzes different options for the pace and sequencing of unification, focusing on the initial stages.** The rapid depreciation of the parallel market rate has widened the disparity between the parallel and official rates to unprecedented levels—Chart 1 shows that the ratio of the parallel market rate to the official rate has increased rapidly in recent years; it stood at 141 in August 2002. The current DER regime is costly in terms of growth, resource allocation and competitiveness, and creates incentives for corruption.

Table 1 Myanmar:
Ratio of Parallel Market (FEC) Rate to Official Exchange Rate



33. **While a big-bang unification may be optimal, political and capacity constraints and the authorities' concerns about disruptive effects make a well-articulated gradual approach more feasible.** Such an approach is likely to have lower transition costs than a big-bang, especially in terms of inflation. The DER could be unified in three broad ways: by slowly depreciating the official exchange rate; by making explicit the taxes and subsidies implicit in the current DER system and then removing them gradually; or, by gradually moving the transactions of exporting and importing state enterprises on to the parallel market rate. This chapter proposes that the transactions-based approach may suit Myanmar best. However, regardless of the approach chosen, exchange rate unification is unlikely to succeed without a larger reform package that

¹³ Prepared by Nadeem Ilahi.

includes fiscal adjustment and structural reforms. Following unification, a flexible exchange rate regime may suit Myanmar better than a fixed rate.

A. Description of the Current Exchange Rate Regime

34. **Under the DER regime, Myanmar maintains an official rate that has been pegged at Kyat 8.51 per SDR since 1977; the officially sanctioned, parallel market foreign exchange certificate (FEC) rate was K 906 per US dollar in August 2002.**¹⁴ FECs have been issued since 1993 against six major convertible currencies (including traveler's checks) at a rate of 1FEC=1\$US. FECs are issued primarily through the requirement that each tourist convert upon arrival at least \$200 into FECs, with only amounts above this \$200 minimum reconvertible into foreign exchange upon departure, and in place of cash on withdrawal from the foreign currency accounts (FCAs). Export receipts can also be converted to FECs. Local residents can hold and transact in FECs but it is illegal for them to hold foreign currencies.

35. **Official exchange rate transactions take place under a foreign exchange budget managed by the Ministry of Finance and Revenue (MOFR).** Foreign exchange revenues are obtained from the sales receipts of exporting State Economic Enterprises (SEEs) as well as from the sales of FECs. On the expenditure side, only the public sector has access to foreign exchange at the official rate--for servicing external debt and for public sector imports, with the exporting SEEs getting priority in the latter. The ultimate decisions on foreign exchange spending plans of SEEs are approved by the cabinet.

36. **The recent spurt in public sector gas exports has allowed an increase in public sector imports and debt service at the official exchange rate.** According to official statistics, about one-quarter of international trade in 1999/00 was conducted by the public sector at the official rate. Increasing gas exports by the public sector at the official exchange rate have more than doubled the share of public sector exports in total exports from 22 percent in 1999/00 to 49 percent in 2001/02. Since there is excess demand in the public sector for foreign exchange at the official rate, the increase in public sector exports has served to loosen the foreign exchange constraint—between 1999/00 and 2001/02, the share of public sector imports in total imports rose from 30 percent to 35 percent and the rate of accumulation of external debt arrears slowed substantially.

37. **Even though the private sector's current and capital account transactions can only be conducted at the market FEC exchange rate, the conversion of FECs into foreign exchange at the parallel rate is restricted.** First, only firms that export (and

¹⁴ The official rate was about K 6.4 per US dollar in August 2002. In addition to the official and parallel (FEC) rates, there is an officially sanctioned rate of K450 per US dollar which applies to a limited set of transactions. Since this market is effectively thin, it is ignored here without compromising the analysis or the policy advice.

whose export earnings are in FCAs) can obtain foreign exchange for imports. Second, private sector payments abroad for repatriation of profits, remittances and foreign worker salaries are limited to US \$10,000 per month for each firm and subject to a case-by-case approval.

38. **The Myanmar DER regime serves as a quasi-fiscal tax on the system.** The Central Bank of Myanmar's (CBM) purchases of foreign exchange from exporting SEEs at the official exchange rate serve as a quasi-fiscal tax. On the other hand, this regime provides protection to importing SEEs by giving them a quasi-fiscal subsidy through the sale of foreign exchange at the official rate.¹⁵ Since external debt service requirements are also met from the official foreign exchange budget, the DER regime acts as a quasi-fiscal tax in the net. Such taxes are "hidden" in that they do not explicitly appear as revenues in the budget, but rather reduce the government's need to finance a portion of the fiscal deficit from alternative sources.

B. Costs of the Dual Exchange Rate Regime

39. **A DER regime hinders economic growth because it alters relative prices which, in turn, distorts production, consumption and investment decisions.** Since DERs distort domestic relative prices among traded goods as compared to the same relative prices abroad, they move production and consumption from their optimal paths. By distorting the incentives to produce goods in which Myanmar has a comparative advantage, the DER regime also discourages both domestic and foreign direct investment, affecting the long-term growth of the economy. In general, the greater the premium in the parallel foreign exchange market and the larger the proportion of transactions carried out at the official rate, the greater is the efficiency loss to the economy.

40. **The implicit quasi-fiscal taxes and subsidies that underlie the DER regime are inconsistent with Myanmar's comparative advantage.** In Myanmar, these taxes hinder the exports of rice, minerals and other goods in which Myanmar enjoys natural cost advantages on the international market. Further, the large differential between the official and FEC rates encourages the over-invoicing of imports and under invoicing of exports. Even though one of the main reasons for having a DER regime is to preserve international reserves, such behavior results in their erosion (Lizondo, 1985).

41. **DER regimes encourage rent-seeking and corruption.** Resources are often devoted to finding ways to profit from the differential between exchange rates. The maintenance of a DER regime requires a complex set of public administrative controls to deter agents from responding to some of the perverse incentives created by the regime. Such controls tend to be costly.

¹⁵ The effective tax/subsidy rates of such quasi-fiscal operations depend on the parallel market premium.

C. The Short Term Costs of Unification

42. **While the beneficial effects of exchange rate unification are likely to far outweigh the costs, there could nevertheless be some short-term costs associated with the transition.** A major concern regarding exchange rate unification has been that it will result in inflation and, thus, exacerbate poverty. There are two channels through which unification of the DER could affect prices. Under the direct effect, an ensuing depreciation of the official rate results in a pass-through of the higher price of foreign exchange to domestic prices. The prices of imports protected under the official exchange rate are also bound to rise. Under the indirect channel, the losses incurred by some of the SEEs as a result of unification, as well as any increase in the Kyat value of external debt service payments, will have to be explicitly borne by the budget, thus worsening the fiscal deficit.¹⁶ If the government responds to this loss of quasi-fiscal revenue by monetizing the deficit, there would be effects on inflation—i.e. an inflation tax replaces a quasi-fiscal tax (Pinto, 1985).

43. **The short run costs of unification could be minimized if fiscal and structural reforms are undertaken in tandem.** If fiscal consolidation—which includes both structural reform of the SEEs as well as adoption of a prudent fiscal stance—proceeds in parallel with unification of the exchange rate, then the inflationary effects may be limited. Other structural reforms, including the liberalization of agricultural exports, could foster strong supply responses and dampen pressures on prices.

44. **Exchange rate unification would not adversely affect the Myanmar financial sector, even in the short run.** There are two ways through which unification could affect the financial sector—by eliminating the state-owned banks' profits associated with foreign exchange trading privileges, or through balance sheet effects due to an increase in the domestic currency value of foreign-currency denominated debt service of its clients. Both effects are likely to be small in the case of Myanmar. First, since the quantity of foreign exchange traded by public banks is small, the withdrawal of foreign exchange trading privileges will not have a large effect on profits. Second, since there is hardly any foreign currency-denominated private debt in Myanmar, any depreciation of the currency as a consequence of unification will not adversely affect banking sector portfolios. More significantly, since the SEEs do not borrow directly from either private or public banks, any worsening of their financial position as a result of structural reforms accompanying unification would not translate into a worsening of the portfolio of banks.

D. Process of Unification—Big-bang or Gradual

45. **A big-bang would entail the immediate adoption of a single exchange rate for all foreign exchange transactions.** In general, the success of a big bang approach

¹⁶ To some extent, these losses would be lowered by the reduction in subsidies to importing SEEs.

depends on the speed with which overall structural reform can be carried out. For instance, the reintegration of workers laid off due to the restructuring of SEEs would depend on the pick-up in growth in the private sector. Since such transformation is likely to take longer than six months, a big-bang approach may not be ideal. Similarly, if it is not feasible to liberalize the trade regime rapidly, a quick unification may be disruptive.

46. **A gradual approach to exchange rate unification would be better suited for Myanmar than a big bang.** The loss of quasi-fiscal revenues (due to unification of the DER) is likely to worsen the fiscal situation in the short run.¹⁷ Even if compensating structural reforms are undertaken, they are unlikely to yield immediate benefits and it is improbable that alternative financing will be available for the budget. Thus, the speed of exchange rate unification should be determined by the pace at which fiscal adjustment can be carried out; since the latter is likely to be slow, a gradual unification may be preferable.

47. **A gradual approach to unification could take many forms.** First, the government could implement policies that reduce the differential between the two rates—by a steady devaluation of the official rate and/or by following fiscal and monetary policies that reduce pressures on the parallel rate to depreciate. Second, the quasi-fiscal taxes on and subsidies to SEEs implicit in the current DER system could be made explicit in the budget and then phased out over time. Third, the government could gradually transfer some transactions (or SEEs) from the official to the parallel FEC rate in a fiscally balanced manner.

48. **While a gradual approach has fewer risks, there are some potential difficulties associated with this option.** First, if the authorities target the differential between the official and parallel rate (as was the case in Vietnam and Uzbekistan) by gradually depreciating the official rate, it is possible that such action may not lead to the desired outcome if adequate fiscal and monetary policies are not followed. This is because, in the absence of fiscal adjustment, a depreciation of the official rate can result in inflation. If nominal interest rates are not increased, real rates will turn negative, inducing wealth holders to switch from kyats to dollars (the asset substitution version of dollarization) further depreciating the parallel rate and complicating the conduct of monetary policy (Lizondo, 1985). Second, even though the tax-subsidy approach has the advantage of freezing taxes and subsidies at a point in time (rather than allowing them to vary with the differential between the official and parallel rates), it would require detailed information on export receipts, imported inputs and Kyat costs and revenues of each SEE—information that may be beyond the current available institutional and technical capacity of the Myanmar authorities.

49. **A more feasible approach to unification is to gradually transfer SEE transactions from the official to the FEC rate in a fiscally neutral manner.** Selected

¹⁷ Some of the loss of quasi-fiscal revenues would be offset by a reduction in quasi-fiscal expenditures on importing SEEs.

transactions of importing and exporting SEEs could be gradually moved to the parallel market rate and such a matching would not put pressure on the fiscal budget if, in the initial stages, the foreign exchange purchase and sale transactions were chosen such that they roughly offset each other. Such an approach would have several advantages. First, it would by definition be fiscally neutral in the short run. Second, it would have no immediate impact on the parallel market exchange rate, as the increase in demand for foreign exchange on this market by importing SEEs would be offset by the increase in supply of foreign exchange by exporting SEEs. Third, the authorities could choose which transactions to move to the market rate earlier and which later, based on how quickly the affected SEEs could be restructured or privatized.

50. **Expectations could play an important role in the success of overall reform as well as exchange rate unification.** A pre-announcement by the authorities about the speed and extent of the overall reform as well as a clear road-map for eventual full exchange rate unification can help manage expectations and encourage foreign direct investment. Indeed, such capital inflows could help to stabilize the exchange rate as well.

51. **Country experiences underscore the importance of viewing exchange rate unification as part of a larger package of reform.**¹⁸ In Vietnam, the authorities' commitment to exert fiscal and monetary discipline was crucial in the success of a phased unification plan and allowed them to quickly overcome the effects of a negative external shock. On the other hand, in Uzbekistan there was an inconsistency of monetary and fiscal policies with exchange rate unification and broader reform. In Iran, unification did not succeed at first because of a lack of commitment of the authorities, but a recent second attempt appears to be succeeding due to prudent economic policies and adherence to the reform agenda.

52. **Myanmar's case lends itself to a flexible exchange rate regime following the unification of the exchange rate.** The standard economic arguments for whether a fixed or flexible regime is preferable have to do with the nature and source of shocks to the economy, policy makers' preferences (i.e. the types of costs they wish to minimize) and the structural characteristics of the economy.¹⁹ There are three factors specific to Myanmar that argue for using a flexible regime. First, given the fairly fundamental

¹⁸ Experiences of three countries with exchange rate unification—Vietnam, Iran and Uzbekistan—are described in detail in Annex II.

¹⁹ In general a fixed exchange rate regime is preferable if the disturbances impinging on the economy are predominantly monetary—such as changes in money demand—and thus affect the general level of prices. On the other hand, a flexible exchange rate (or a greater degree of flexibility) is preferable if disturbances are mainly external—such as terms of trade shock. Also, if domestic prices, such as wages, do not adjust quickly to changes in the external environment (such as a terms of trade shock), then a flexible exchange rate can provide some of the adjustment.

structural transformation of the Myanmar economy that is likely to take place as a result of the reform, a flexible regime may serve the economy well. Second, since international reserves are low, it is unlikely the authorities would be able to defend a fixed rate in a credible way. Third, from a practical standpoint, it would be quite difficult to predict the appropriate level of the exchange rate after unification if a fixed rate regime were to be chosen.

III. THE STRUCTURE OF PUBLIC SECTOR REVENUE AND EXPENDITURE²⁰

A. Introduction

53. **The nonfinancial public sector budget is a major source of macroeconomic instability in Myanmar.** Recurring large deficits, which the central bank passively finances, have contributed to double digit inflation, while declining revenue mobilization has compressed expenditures. Revenue as a percentage of GDP has dropped to a very low level by international standards and the expenditure cuts have come at a great cost to society as they have driven the provision of critical social services such as health and education to dangerously low levels.

Table 1. Myanmar: Budget estimates versus actual outcomes, 1999/00-2001/02

	1999/00		2000/01		2001/02	
	Budget	Outcome	Budget	Outcome	Budget	Outcome
(In percent of GDP)						
Union government						
Revenue	5.4	5.4	4.5	5.3	4.3	4.0
Expenditure	5.6	6.6	5.0	8.6	5.1	7.2
Current	3.5	3.9	3.4	5.2	3.8	4.6
Capital	2.1	2.8	1.6	3.4	1.3	2.6
Overall balance	-0.1	-1.2	-0.5	-3.4	-0.8	-3.2
SEEs						
Revenue	17.1	14.4	12.9	11.1	9.5	10.7
Expenditure	20.0	17.6	15.2	16.1	10.8	12.1
Current	19.1	16.6	14.6	15.2	10.0	11.1
Capital	0.9	1.0	0.7	0.9	0.8	1.0
Overall balance	-2.9	-3.2	-2.4	-5.0	-1.3	-1.3

Source: Myanmar authorities.

54. **Budgetary control in Myanmar is very limited and the budget presents just a partial picture of the government's fiscal intentions.** Each year, expenditure overruns, which are only in part offset by revenue overruns, result in a fiscal deficit that is often significantly higher than projected (Table 1). The largest overruns tend to be in capital expenditure. This mostly reflects new projects for which the timing of implementation is

²⁰ Prepared by Harm Zebregs.

uncertain or for which financing had not yet been identified at the time the budget was formulated. The lack of control over public spending is the result of poor governance and lack of accountability.

55. **Consideration of the fiscal position develops in three stages.** For fiscal year 2002/03 the budgets of the union government and the SEEs were finalized and approved at the end of 2001. At the end of 2002, revised estimates will be made that, as in past years, are likely to include substantial additional expenditures undertaken during the fiscal year. The revised estimates will be ratified by a supplementary budget in March 2003. At the end of 2003, the actual outturn for 2002/03 will be published.

B. Structure of Revenues and Expenditure

Revenue

56. **The revenue structure in Myanmar is complex, with 6 different government agencies being in charge of collecting taxes and fees** (Table 2). The commercial tax, which resembles a value added tax and ranges from 0 to 200 percent, accounts for about 45 percent of tax revenues. Taxes on income (personal income tax and profit tax) account for almost 40 percent of tax revenue. The share of non-tax revenue in total revenue is almost 50 percent, of which more than 60 percent comes from SEE contributions.

Table 2. Myanmar: Taxes collected by various government departments	
Administering department	Type of tax
Internal revenue department	Commercial tax Income tax Profit tax State lottery Stamps duties
Customs department	Customs duties License fees on imported goods
General administration department	Excise duty Land tax Water tax and embankment tax Tax on extraction of minerals
Fishery department	Tax on fisheries
Forest department	Tax on extraction of forest products Rubber tax
Road transport department	Transportation tax
Source: Myanmar authorities	

57. **Revenue mobilization in Myanmar is poor compared to other low-income countries, but mainly reflects very low tax collections** (Table 3). Union Government revenue as a percentage of GDP has declined from about 6 percent in 1999 to 4 percent in

2001/02.^{21,22} The main sources of the decline are a fall in tax revenue from 3 percent of GDP to 2 percent over the same period and the deteriorating financial situation of the SEEs. The main factors contributing to the poor tax collection are:

- **A narrow tax base.** There is widespread granting of exemptions and agricultural production is not taxed. The beneficiaries of the exemptions include both domestic and foreign investors. However, in recent years, the authorities have made more commodities and services subject to the commercial tax.
- **Poor tax compliance.** There is no direct evidence on this, but international experience suggests that tax collectors who receive low wages, as in the case of Myanmar, tend to be more receptive to bribes.

Table 3. Selected Countries: Public sector revenues, 1999 (in percent of GDP)

	Myanmar 1/	Bhutan	Bolivia	Cameroon	Cote d'Ivoire	India	Mongolia	Nepal
Total revenue	5.8	19.1	17.9	14.4	21.1	12.1	22.5	10.2
Tax revenue	2.7	6.6	14.0	11.5	20.1	8.8	16.5	8.4
Taxes on income	1.1	3.8	1.5	3.0	4.6	3.0	1.6	1.7
Turnover tax	1.2	1.2	4.6	3.2	2.7	0.0	6.3	2.3
Customs duties	0.3	0.4	1.0	4.1	9.6	2.5	1.0	2.8
Excise duties	0.0	1.0	2.8	0.4	0.4	3.2	2.5	0.9
Other taxes	0.2	0.3	4.2	0.8	2.8	0.2	5.2	0.8
Non-tax revenue	3.1	12.5	3.9	2.9	1.0	3.3	6.0	1.8

1/ Union Government.

Sources: Myanmar Authorities, and IMF's Government Finance Statistics.

- **Customs valuation at official exchange rates.** Valuation of imports for the purpose of levying customs duties is at Kyat 100/US\$ for essential goods and at Kyat 150/US\$ for non-essential goods rather than at the parallel market rate (Kyat 906/US\$ in August 2002). In addition, the valuation system appears to allow considerable discretion to customs officials who reportedly sometimes try to estimate the domestic market value of imported goods.
- **Inflation.** Current income tax collections are based on earnings in the previous year, which erodes tax collections as a percentage of GDP in a high inflation environment like that in Myanmar.

²¹ For most of the 1990s, the revenue ratio fluctuated between 6.5 and 8.5 percent, and the tax ratio between 3 and 5 percent.

²² This gives a somewhat distorted picture of the actual tax burden on society, because the government also collects implicit taxes as in the case of the rice procurement system. The implicit tax yield from the rice procurement system is estimated at 2-3 percent of GDP.

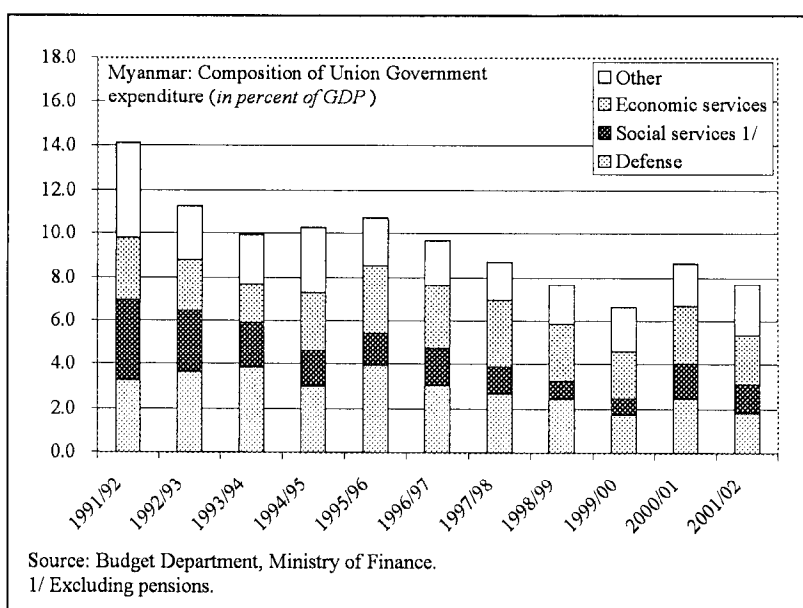
- **A complex tax system.** The current system, which is characterized by numerous tax rates, brackets, and exemptions, is too complex and, as a result, burdens tax administration and depresses revenue collection.
- **Low taxes on the utilization of state-owned property.** Although these taxes—which include land and water taxes, taxes on the extraction of minerals and forest products, and fishery fees—have remained unchanged for decades, the government has made an effort to revise departmental licenses and fees upward in line with inflation.

Expenditure

58. **Led by the decline in revenue, Union Government expenditure as a percentage of GDP fell from 14 percent in the early 1990s to below 8 percent in 2001/02.** The sharp decline

resulted in a change in the composition of expenditure, as social sector spending was cut disproportionately to sustain outlays for defense. The share of social sector spending in total Union Government expenditure dropped from more than 25 percent in the early 1990s to 11 percent in 1999. Since then, it has increased to about 17 percent, largely reflecting an increased allocation for education and

to a lesser extent for health. The share of defense expenditure, on the other hand, remained at more than 30 percent until 1998/99 and then declined to about 24 percent in 2001/02.



59. **Spending on education and health remains alarmingly low and is much less than in many other low-income countries** (Table 4). Severe wage compression, which has taken place across the board in the civil service, and a lack of funds to purchase essential supplies have contributed to the deterioration in the quality of education and health care. In addition, low capital spending has led to a fairly limited coverage of social services and has also affected access to infrastructure services, which is low even by developing country standards. The supply of infrastructure is inadequate and forms a

bottleneck to progress in poverty reduction and human development, according to the World Bank.²³

Table 4. Selected Countries: Public sector expenditure, 1999 (unless otherwise noted)

	Myanmar 1/	Bhutan	Bolivia	Cameroon	Cote d'Ivoire	India	Mongolia	Nepal
	(In percent of GDP)							
Total expenditure	6.9	38.1	23.2	14.3	22.4	15.9	26.6	16.0
minus grants	6.8	21.0	21.2	14.3	21.9	15.9	25.9	14.7
Current expenditure	3.9	16.6	19.5	12.2	16.5	14.4	23.2	--
Capital expenditure	3.0	21.5	3.7	2.0	5.9	1.5	3.5	--
Defense	1.9	--	1.8	1.4	--	2.5	2.0 2/	0.9
Health and education	0.8	7.8	5.6	2.2	--	0.7	2.5 2/	3.1
	(In percent of total expenditure)							
Defense	27.9	--	7.7	9.5	--	15.7	8.3 2/	5.5
Health and education	10.9	20.4	24.2	15.4	--	4.3	10.1 2/	19.2

Sources: Myanmar authorities, and IMF's Government Finance Statistics.

1/ Union Government.

2/ Data for 1998.

60. **SEEs remain a significant drain on the budget.** Because SEEs cannot borrow from the banking system, their deficits are financed through the government budget. The deficit of the SEE sector as a percentage of total expenditure of the consolidated government has declined from 41 percent in 1998/99 to 16 percent in 2001/02, but it is estimated to increase to 20-30 percent in 2002/03. It appears that the decline in the deficit of the SEE sector in 2001/02 was in large part achieved through smaller transfers of SEEs to the Union Government, and not by an improvement in their profitability. Absent further reductions in transfers to the union government, the SEE deficit as a percentage of total expenditure is bound to rise as the profitability of SEEs is not likely to improve in the current economic environment. The true financial position of the SEEs is difficult to assess because they transact at the official exchange rate and because of the pooling of all government transactions in a single fund account (SFA). It is not possible to distinguish between contributions from SEEs to the SFA and subsidies to SEEs paid out of this account.

C. Reform Measures

61. **The strategy of reducing expenditure to offset the continuous decline in revenue has proven not to be a viable long-term solution and has come at a significant cost to society.** There is a pressing need to stop the erosion of tax revenue and

²³ World Bank, 1999, "Myanmar: An Economic and Social Assessment", World Bank, Washington DC.

redirect a larger share of expenditures toward education, health, and infrastructure projects with a high social return. This is essential for Myanmar to realize its economic potential. Measures to improve revenue collection that could be fairly easily implemented include:

- **Further reduce tax exemptions and close remaining loopholes in tax laws.** The authorities estimate that this could raise tax revenue by about 10-15 percent (0.25 percent of GDP) in the near term.
- **Value imports for levying customs duties at the market exchange rate rather than official exchange rates.** IMF staff estimates suggest that this would raise tax revenue by about 1 percent of GDP.
- **Raise excise duties and fees collected on the utilization of state-owned property.** Excise duties are an important source of revenue in many other low-income countries, often accounting for 2-3 percent of GDP, whereas in Myanmar this form of revenue amounted to only 0.01 percent of GDP in 2001/02. Fees on the utilization of state-owned property should be revised on a regular basis and raised in line with inflation.
- **Simplify the tax system.** It is recommended to keep the tax system as simple as possible to avoid distortions, high compliance costs, and a heavy burden on tax administration. Simplifications can be achieved by making further progress in reducing the number of tax rates and brackets, and minimizing the number of zero-rated goods in the commercial tax schedule.
- **Broaden the tax base.** Although the authorities have made progress by bringing more activities into the formal tax system, a considerable part of the economy continues to escape taxation and further progress in this area is needed.
- **Enhance transparency by replacing implicit taxes with explicit counterparts.** For example, the procurement system in agriculture should be abolished and a more explicit tax on agricultural income could be levied instead.

62. **Over the medium term, the commercial tax should be replaced with a value added tax.** A VAT is less distortionary than the current commercial tax. Because a VAT is a tax on final consumption, it minimizes the disincentives to save and invest. The authorities have reiterated their commitment to introduce a VAT over the medium term, but noted the lack of institutional capacity as a major bottleneck.

63. **There is an urgent need for improving controls in the budgetary process.** Better expenditure management will help to improve the allocation of public spending and make macroeconomic policies more effective. In this context, it is important to record the SEE accounts separately from those of the union government and to require SEEs to conduct their foreign exchange transactions at the market exchange rate.

The Quality of Myanmar's Institutions

This annex provide a cross-country perspective on the quality of socio-political institutions in Myanmar. The main conclusion, based on a set of subjective indicators, is that the quality of the institutional environment in Myanmar is among the lowest in the world.

In considering the issue of institutional and structural weaknesses, one can look at quantitative measures of the quality of the environment resulting from these institutions. Different categories judged to be the result of a country's institutions are: law and order, democratic accountability, corruption, and bureaucratic quality. These measures, while subjective, paint a fairly consistent picture of the institutional environment among different countries and serve as a useful basis of comparison. The quantitative measures discussed in this annex are derived from the International Country Risk Guide, a publication of the Political Risk Services Group.

The current level of institutional quality in Myanmar is very low relative to other ASEAN nations, as well as other emerging markets and developing countries (Table 1). In spite of the broad range of countries included in the table, Myanmar's scores are among the lowest of all countries. Its composite score is less than half the ASEAN average, and roughly one third of the average of other emerging markets. After Myanmar, the next lowest rated country is Nigeria, which scores fifty percent higher.

In the 1990s, Myanmar made some progress in terms of institutional environment, but these gains were erased by the end of the decade. Beginning with an extremely low score, there were some transitory improvements in the 1990s. Figure 1 depicts the evolution of different indicators of the institutional framework from the mid 1980s to the end of 2001. Furthermore, these improvements were quite unbalanced among the different categories.

- *Law and order* – this rating remained very low from 1984 until it picked up significantly in 1993. These gains were erased, however, by 1998.
- *Democratic accountability* – Myanmar maintained a very low rating until the mid-1990s, when it went even lower, and was rated to have little democratic accountability.
- *Corruption* – this rating remained flat from 1984 through the middle of the 1990s, and then fell off.
- *Bureaucratic quality* – this rating was zero, the lowest possible, until the mid-1990s, when it picked up slightly, but still remains at low levels.

Institutional quality tends to be positively correlated with economic outcomes. The academic literature points to a positive relationship between the quality of countries' institutions and

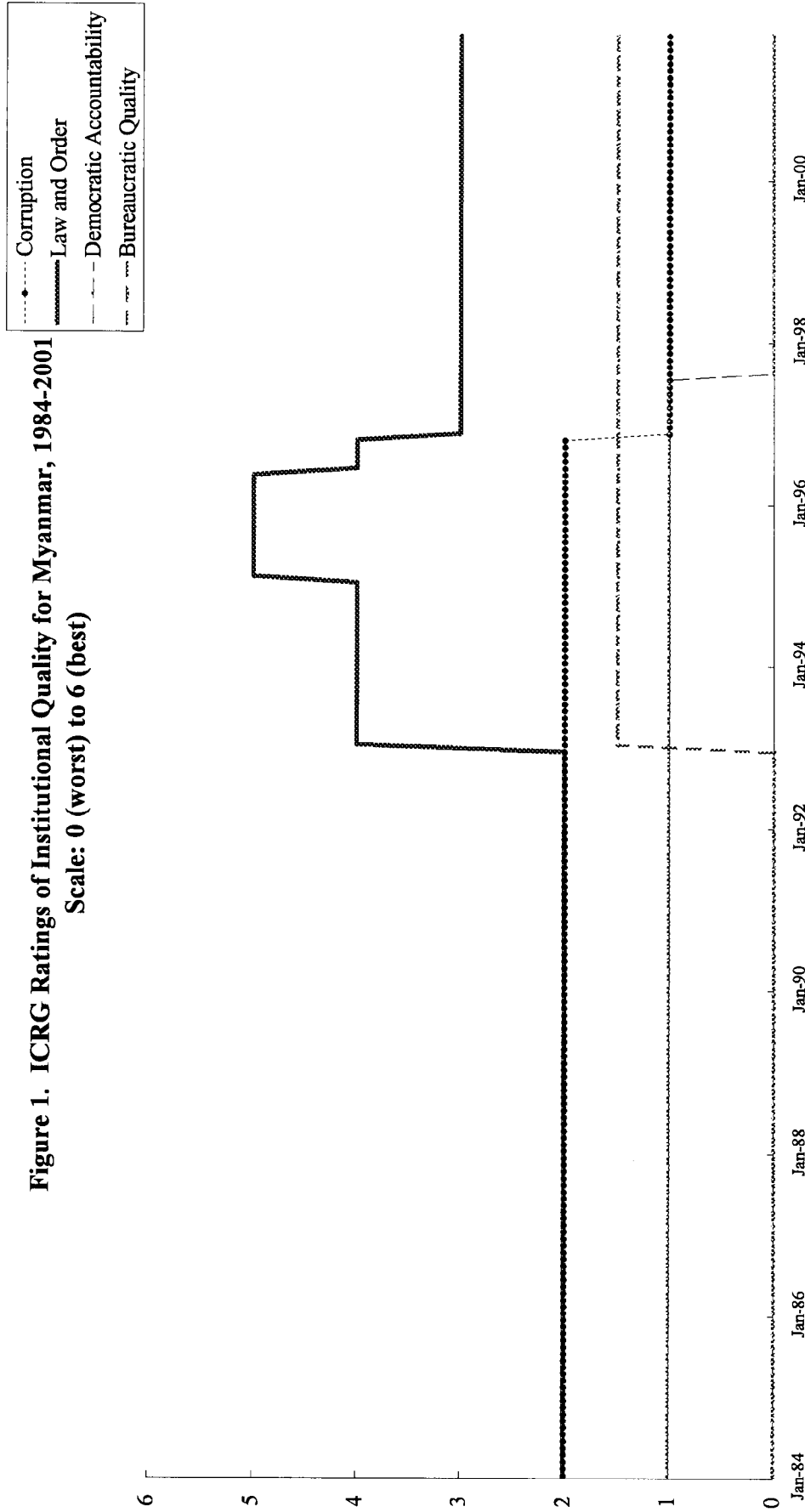
both the level and rate of growth of income.¹ Comparing across countries, a pattern emerges in which poor institutional ratings correspond to countries with low per-capita income and economic development. Myanmar lies on the lower fringe of this correspondence. Its average level of institutional development is low relative to other developing countries, and in particular, to other ASEAN member countries, as is its per capita income. While there appears to be a positive relationship between per capita GDP and institutional quality, the direction of causality is, of course, a more complicated matter.

In summary, Myanmar has very low levels of institutional quality. Studies have shown that institutional and structural factors play a major role in explaining comparative growth performance. Furthermore, the potential benefits of curbing corruption and improving other aspects of institutional strength appear to be large.² Thus, unlocking Myanmar's economic potential is likely to require institutional reforms in tandem with economic reforms.

¹ For example, Robert Barro, 1991, "Economic Growth in a Cross Section of Countries," *Quarterly Journal of Economics*; Jeffrey Sachs and Andrew Warner, 1995, "Economic Reform and the Process of Global Integration," *Brookings Papers on Economic Activity*.

² Paolo Mauro, 1997, *Why Worry About Corruption?* IMF Economic Issues 6. Other studies obtain similar results.

Figure 1. ICRG Ratings of Institutional Quality for Myanmar, 1984-2001
Scale: 0 (worst) to 6 (best)



Source: International Country Risk Guide (ICRG), Political Risk Services Group.

The rating for "institutional strength" is the simple average of the ICRG ratings for "law and order", "freedom from corruption", "democratic accountability," and "bureaucratic quality." For each of these categories, higher numbers indicate that institutions are better.

Country Experiences with Exchange Rate Unification

This annex summarizes the experiences of three countries with exchange rate unification. It highlights the lessons learnt from big-bang and gradual approaches, while pointing to the pitfalls in undertaking unification. The broad lessons are that unification is likely to succeed when it is a part of a larger package of reforms and when authorities are committed to prudent fiscal and monetary policies. In Vietnam, the authorities' willingness to rapidly exert discipline on fiscal and monetary policies as part of a larger package of reform was crucial to the success of a gradual unification plan. On the other hand, a lack of commitment to overall reform and an absence of consistency of monetary policy in Uzbekistan ensured that unification did not succeed. The case of Iran is one of mixed results—a first attempt at unification was unsuccessful because of a lack of commitment of the authorities to a unified rate, but a recent second attempt seems to be succeeding due to prudent economic policies and careful planning and commitment to reform.

1. Multiple exchange rate regimes were common in the 1970s and 1980s but few countries engage in such practices today. Nevertheless, there are some countries that still have multiple exchange rate regimes, with most having attempted a unification recently. It is important to bear in mind that, while multiple exchange practices usually give rise to large differentials between parallel and official rates, the magnitude of the differential observed in Myanmar is unprecedented.

Vietnam

2. At the time of exchange rate unification in 1989, Vietnam was beset with growing fiscal deficits, high inflation, low reserves and limited international assistance. Exports were constrained by low procurement prices and an overvalued official exchange rate, while imports were compressed through quotas and licenses. The foreign trade structure relied heavily on Council for Mutual Economic Assistance (CMEA) trading partners for petroleum and fertilizer imports and exporters had to fill CMEA quotas before being allowed to export to the convertible currency area.

3. Exchange rate unification was part of a larger package of economic and financial reforms; it was successful despite large external shocks.¹ The reform and stabilization package adopted by the authorities in 1989 was based on the following: a) removal of exchange controls, b) flexible exchange rates, c) positive real interest rates and d) fiscal and monetary austerity. As the authorities' room to anchor the exchange rate was limited by the low level of reserves, the anchor was money supply, despite the problems created by dollarization. The authorities used the premium in the parallel market as an indicator of the degree of misalignment of fiscal and monetary policy—large premia were met with cut backs in fiscal expenditures (cuts in subsidies, real labor costs, capital outlays and credit to state-

¹ See Dodsworth and others (1996) and Lipworth and Spittaller (1993).

owned enterprises). In 1989 the authorities sharply devalued the currency. To prevent currency substitution (i.e. dollarization) nominal interest rates were raised to ensure that real rates stayed positive. The result of this stabilization was a drop in inflation and an appreciation of the real effective exchange rate by about 10 percent. The authorities subsequently adjusted nominal rates in response to the drop in inflation.

4. The withdrawal of the CMEA markets after the break up of the Soviet Union came as a severe economic shock to Vietnam in the midst of the transition. The trade arrangements with the CMEA were terminated along with a cessation of external assistance. The immediate result was an increase in the fiscal deficit which was largely accommodated by a relaxation of the monetary stance. Domestic inflation jumped to about 70 percent and the parallel market rate depreciated by 48 percent in 1990 and 66 percent in the first three quarters of 1991. After the initial shock, the authorities responded by devaluing the official rate by 60 percent and 40 percent in 1990 and 1991, respectively. Further fiscal austerity resulted in cutbacks in public services and public investment. Once the economy had stabilized, the authorities continued their phased unification of the exchange rate. In the second phase, they emphasized exchange rate stability, which essentially meant removing the differential between the official and parallel rates. In this phase, an interbank market for foreign exchange trading was also introduced. By 1992, the parallel and official rates were effectively unified with the premium below 1 percent.

Iran

5. Iran's multiple exchange rate regime has been determined by large public revenues emanating from oil exports.² At the time of the first attempt at unification in 1993, the exchange system consisted of three rates. The Basic official rate (about Rials 70 per US\$) applied to oil exports, essential imports and official debt repayments. The Competitive rate (about Rls 600 per US\$) applied to intermediate imports and capital goods imports while the floating rate was meant for all non-oil exports and service payments. State enterprises figured prominently in the multiple exchange rate system. The state oil company surrendered its receipts (80 percent of all exports) at the official exchange rate (after taking out its share of essential imports at the official rate). Other state enterprises imported necessities at the official exchange rate.

6. The 1993 unification, a big-bang, was partly implemented to stem a loss of competitiveness of non-traditional exports and was a de facto failure because of lack of policy commitment and a negative external shock. In 1993, the authorities unified the three rates into a rate that was much more depreciated than the basic and competitive rates, but less so than the floating rate. The new rate was a managed float and unification was accompanied by a relaxation of foreign exchange rate regulations. Full unification was not accomplished for two main reasons. First, the authorities did not apply the unified rate in a consistent

² See Sundarajan and others (1999).

manner—they continued to provide foreign exchange for essential imports and repayment of short-term foreign debts contracted before unification. Second, a negative external shock (an unexpected decline in oil prices) put pressure on the floating rate to depreciate faster than anticipated.

7. Preliminary results from a recent second attempt at big-bang unification indicate some success because of greater fiscal discipline, trade liberalization and policy commitment. The exchange rate was unified in March 2002, at the prevailing market rate on the day before unification. The authorities adopted a managed float, with foreign exchange transactions now taking place in the interbank market. To ease appreciation pressures on the exchange rate, tariff and trade reforms are currently being implemented, while several measures have already been taken to ease restrictions on the current account. As a lesson from the previous failure, the authorities committed to allowing market forces to determine the rate and intervene only to “smooth” temporary volatility (shocks). The transition has been smooth so far. The authorities have made exchange related subsidies explicit in the budget, have generally avoided monetizing the quasi-fiscal losses and have allocated sufficient budgetary resources to fully cover the cost of unification, including public enterprises’ contingent liabilities. Despite a commitment to flexibility, the central bank has continued to intervene in the foreign exchange market, ostensibly to maintain some stability in the nominal rate during the period immediately following unification.

Uzbekistan

8. The main stated objectives of the multiple exchange rate regime have been a promotion of import-substituting industrialization, protection of foreign exchange reserves and subsidized imports of basic foods.³ Applications for foreign exchange require a 100 percent advance deposit in local currency and are subject to delays. Annual interest payments on external loans (up to 20 percent of outstanding principal) were also restricted. While the number and importance of official, semi-official and non-official exchange markets has changed over the years, the system effectively translated to informal rationing of foreign exchange for both consumer and investment goods

9. The principal exchange rate reforms of 2001 were carried out in two phases. First, the transactions allowed at the official exchange rate were limited to debt repayment and surrender of proceeds from centralized exports and all others were moved to the parallel market. In the second phase (5 months later), the official and the over-the-counter (OTC) market were unified with all non-cash transactions to take place at the new unified rate. The authorities planned trade liberalization which included streamlining the tariff schedule, facilitating clearance of import contracts, and gradual removal of export bans. The authorities were to take the differential between OTC and parallel rate as an indicator of insufficient liberalization of access to foreign exchange and were to adjust monetary and fiscal policy

³ See Rosenberg and others (2001).

appropriately. Monetary and fiscal policies were also to be kept tight for reasons of controlling inflation.

10. Unification has not been successful because loose monetary policy has resulted in a sharp increase in the parallel market premium, and to offset, the authorities have continued to intervene in exchange markets. Even after the kick-off date, the government has been manipulating the OTC and cash exchange markets and, in some cases, banks have continued to transact in foreign exchange under the old rules. State administered price controls have persisted. While fiscal policy continued to be tight to the end of 2001, monetary policy started off tight, but credit from the central bank was later increased as a result of pressures arising from depreciation of the official exchange rate (instability in velocity and the money multiplier), a worsening liquidity position of state enterprises and a wage increase. The interest rate policy of the central bank (with negative real interest rates) has also been contributing to slack monetary conditions. As a consequence, there has been a sharp widening of the differential between OTC and parallel market exchange rates from 35 percent at the start of the first phase to 116 percent after the introduction of the second phase.

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Table 1. Myanmar: Real Gross Domestic Product
by Expenditure Category, 1997/98-2001/02 1/

	1997/98	1998/99	1999/2000	2000/01	2000/01	2001/02
(In millions of kyats, at constant 1985/86 prices; at 1995/96 prices from 2000/01)						
Consumption	53,131	54,485	57,411	61,762	732,660	795,751
Gross investment	20,889	24,908	28,352	31,546	163,403	191,400
Fixed investment	21,484	25,037	27,786	30,898	157,535	194,891
Public	9,781	9,825	10,041	11,211	57,133	64,760
Private	11,703	15,212	17,745	19,687	100,402	130,131
Changes in stocks	-595	-129	566	648	5868	-3491
Gross domestic expenditure	74,020	79,393	85,763	93,308	896,063	987,151
Net exports of goods and nonfactor services	1,103	67	2,394	6,967	2,134	5,249
Exports	6,959	6,898	9,171	13,203	12,636	17,882
Imports	5,856	6,831	6,777	6,236	10,502	12,633
GDP at constant prices	75,123	79,460	88,157	100,275	898,197	992,400
(In percent change)						
Consumption	1.8	2.5	5.4	7.6	...	8.6
Gross investment	10.4	19.2	13.8	11.3	...	17.1
Fixed investment	8.0	16.5	11.0	11.2	...	23.7
Public	1.6	0.4	2.2	11.7	...	13.3
Private	14.1	30.0	16.7	10.9	...	29.6
Exports	24.1	-0.9	33.0	44.0	...	41.5
Imports	3.4	16.6	-0.8	-8.0	...	20.3
Gross domestic expenditure	4.1	7.3	8.0	8.8	...	10.2
GDP	5.7	5.8	10.9	13.7	...	10.5

Source: Data provided by the Myanmar authorities.

1/ The national accounts data have been rebased to 1995/96, beginning with 2000/01 data.

Table 2. Myanmar: Gross Domestic Product by Expenditure Category, 1997/98-2001/02

	1997/98	1998/99	1999/2000	2000/01	2001/02
(In millions of kyats, at current market prices)					
Consumption	992,088	1,419,977	1,905,514	2,242,663	3,125,174
Gross investment	139,964	199,308	294,267	317,690	399,494
Fixed investment	150,240	206,912	255,408	300,981	411,415
Public	68,402	79,598	92,013	109,157	136,710
Private	81,838	127,314	163,395	191,824	274,705
Change in stocks	-10,276	-7,604	38,859	16,709	-11,921
Net exports of goods and nonfactor services	-3,964	-4,333	-4,287	-2,463	-1,153
Exports	12,923	13,934	13,954	16,804	16,956
Imports	16,887	18,267	18,241	19,267	18,109
GDP at market prices	1,128,088	1,614,952	2,195,494	2,557,890	3,523,515
Net factor income from abroad	-69	34	-36	-118	-244
GNP at market prices	1,128,019	1,614,986	2,195,458	2,557,772	3,523,271
(In percent of GDP)					
Consumption	87.9	87.9	86.8	87.7	88.7
Gross investment	12.4	12.3	13.4	12.4	11.3
Fixed investment	13.3	12.8	11.6	11.8	11.7
Public	6.1	4.9	4.2	4.3	3.9
Private	7.3	7.9	7.4	7.5	7.8
Exports	1.1	0.9	0.6	0.7	0.5
Imports	1.5	1.1	0.8	0.8	0.5

Source: Data provided by the Myanmar authorities.

Table 3. Myanmar: Gross Domestic Product by Form of Ownership, 2000/2001

(In percent of sectoral output)

	State	Cooperatives	Private
Productive sectors	11.8	1.5	86.7
Agriculture	0.1	1.9	98.0
Livestock and fishery	0.2	1.0	98.8
Forestry	49.1	0.5	50.4
Energy	99.8	0.2	-
Mining	4.5	1.9	93.6
Manufacturing and processing	26.1	1.0	72.9
Power	99.4	0.1	0.5
Construction	56.5	0.2	43.3
Services	53.0	2.8	44.2
Transportation	23.9	1.0	75.1
Communication	100.0	-	-
Financial institutions	52.9	15.3	31.8
Social and administrative services	88.7	0.8	10.5
Rentals and other services	5.6	3.0	91.4
Trade	20.2	2.3	77.5
Gross domestic product	21.2	1.9	76.9

Source: Data provided by the Myanmar authorities.

Table 4. Myanmar: Investment and Saving, 1996/97-2000/01

	1996/97	1997/98	1998/99	1999/2000	2000/01
(In millions of kyats, at current prices)					
Gross capital formation	97,051	139,964	199,308	294,267	317,690
Fixed investment	118,313	150,240	206,912	255,408	300,981
Public	57,275	68,402	79,598	92,013	109,157
Private	61,038	81,838	127,314	163,395	191,824
Change in stocks	-21,262	-10,276	-7,604	38,859	16,709
National saving	94,317	135,882	195,911	289,949	315,108
Domestic saving	91,732	133,059	192,815	288,010	313,906
Net factor income plus net unrequited transfers from abroad	2,585	2,823	3,096	1,939	1,202
Foreign saving	2,733	4,082	3,397	4,318	2,582
(In percent of GDP)					
Gross capital formation	12.3	12.4	12.3	13.4	12.4
Fixed investment	14.9	13.3	12.8	11.6	11.8
Public	7.2	6.1	4.9	4.2	4.3
Private	7.7	7.3	7.9	7.4	7.5
National saving	11.9	12.0	12.1	13.2	12.3
Domestic saving	11.6	11.8	11.9	13.1	12.3
Foreign saving	0.3	0.4	0.2	0.2	0.1

Source: Data provided by the Myanmar authorities.

Table 5. Myanmar: Real Gross Domestic Product by Sector, 1997/98-2001/02 1/

	1997/98	1998/99	1999/2000	2000/01	2000/01	2001/02
(In millions of kyats at constant 1985/86 prices; in 1995/96 prices from 2000/01)						
Commodity producing sectors	45,247	47,481	53,236	60,670	620,189	675,415
Agriculture	26,480	27,417	30,297	33,659	441,308	472,105
Livestock and fishery	5,472	5,984	6,988	8,310	70,172	76,683
Forestry	777	802	839	866	5,508	5,628
Energy	154	236	393	511	2,044	2,256
Mining	1,056	1,129	1,468	1,869	6,802	6,510
Manufacturing and processing	6,800	7,222	8,272	10,171	70,185	82,042
Power	877	830	948	1,093	3,068	2,953
Construction	3,631	3,861	4,031	4,191	21,102	27,240
Services	14,116	15,224	16,567	18,660	66,511	76,094
Transportation	3,209	3,390	3,795	4,650	29,359	33,997
Communication	1,345	1,501	1,666	2,149	4,430	5,148
Financial institutions	1,391	1,628	1,833	2,131	2,286	2,644
Social and administrative services	5,018	5,344	5,719	5,968	15,023	16,845
Rentals and other services	3,153	3,361	3,554	3,762	15,413	17,461
Trade	15,760	16,755	18,354	20,945	211,497	240,890
Gross domestic product (at constant prices)	75,123	79,460	88,157	100,275	898,197	992,400
(In percentage change)						
Commodity producing sectors	5.1	4.9	12.1	14.0	...	8.9
Agriculture	3.0	3.5	10.5	11.1	...	7.0
Livestock and fishery	7.1	9.4	16.8	18.9	...	9.3
Forestry	2.8	3.2	4.6	3.2	...	2.2
Energy	2.4	53.6	66.5	30.0	...	10.4
Mining	29.7	6.9	30.0	27.3	...	-4.3
Manufacturing and processing	5.0	6.2	14.5	23.0	...	16.9
Power	17.7	-5.4	14.2	15.3	...	-3.8
Construction	9.8	6.3	4.4	4.0	...	29.1
Services	8.8	7.8	8.8	12.6	...	14.4
Transportation	6.5	5.6	11.9	22.5	...	15.8
Communication	28.1	11.6	11.0	29.0	...	16.2
Financial institutions	14.4	17.0	12.6	16.3	...	15.6
Social and administrative services	6.3	6.5	7.0	4.4	...	12.1
Rentals and other services	6.1	6.6	5.7	5.9	...	13.3
Trade	5.0	6.3	9.5	14.1	...	13.9
Gross domestic product (at constant prices)	5.7	5.8	10.9	13.7	...	10.5

Source: Data provided by the Myanmar authorities.

1/ The national accounts data have been rebased to 1995/96, beginning with 2000/01 data.

Table 6. Myanmar: Gross Domestic Product by Sector, 1995/96-2000/01

	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01
(In millions of kyats, at current producer prices)						
Commodity producing sectors	422,443	558,598	773,587	1,109,268	1,509,354	1,708,567
Agriculture	321,550	421,233	583,437	841,222	1,143,169	1,245,438
Livestock and fishery	36,440	48,338	69,053	100,698	158,257	201,379
Forestry	4,760	6,324	7,181	8,653	10,859	14,333
Mining	3,170	4,833	6,450	7,895	10,842	15,032
Manufacturing and processing	41,594	56,610	79,040	112,774	143,244	182,897
Power	1,872	2,202	1,932	991	2,558	3,444
Construction	13,057	19,058	26,494	37,035	40,425	46,044
Services	41,928	54,113	87,976	122,913	156,563	230,480
Transportation	17,088	25,201	50,366	76,304	101,009	146,306
Communication	1,682	2,159	2,931	3,727	4,660	7,065
Financial institutions	1,041	1,279	1,475	1,945	2,215	2,641
Social and administrative services	10,782	11,482	13,293	14,622	16,505	39,354
Rentals and other services	11,335	13,992	19,911	26,315	32,174	35,114
Trade	140,358	179,269	257,946	377,595	524,403	613,686
Gross domestic product (at current producer prices)	604,729	791,980	1,128,088	1,609,776	2,190,320	2,552,733
(In percent of GDP)						
Commodity producing sectors	69.9	70.5	68.6	68.9	68.9	66.9
Agriculture	53.2	53.2	51.7	52.3	52.2	48.8
Livestock and fishery	6.0	6.1	6.1	6.3	7.2	7.9
Forestry	0.8	0.8	0.6	0.5	0.5	0.6
Mining	0.5	0.6	0.6	0.5	0.5	0.6
Manufacturing and processing	6.9	7.1	7.0	7.0	6.5	7.2
Power	0.3	0.3	0.2	0.1	0.1	0.1
Construction	2.2	2.4	2.3	2.3	1.8	1.8
Services	6.9	6.8	7.8	7.6	7.1	9.0
Transportation	2.8	3.2	4.5	4.7	4.6	5.7
Communication	0.3	0.3	0.3	0.2	0.2	0.3
Financial institutions	0.2	0.2	0.1	0.1	0.1	0.1
Social and administrative services	1.8	1.4	1.2	0.9	0.8	1.5
Rentals and other services	1.9	1.8	1.8	1.6	1.5	1.4
Trade	23.2	22.6	22.9	23.5	23.9	24.0

Source: Data provided by the Myanmar authorities.

Table 7. Myanmar: Output and Yield of Major Crops, 1997/98–2001/02

	1997/98	1998/99	1999/00	2000/01	2001/02
(In thousands of metric tons)					
Output					
Paddy	16,654	17,078	20,126	21,324	18,128
Wheat	92	93	117	94	96
Maize	308	303	349	365	532
Pulses	1,597	1,685	1,828	2,263	2,656
Groundnuts	540	562	634	731	723
Sesame	296	210	296	426	345
Sunflower	90	189	160	268	279
Cotton	164	158	176	153	141
Jute	33	33	33	42	47
Sugarcane	5,136	5,430	5,449	5,894	7,116
Myanma tobacco	57	42	47	48	44
Virginia tobacco	25	21	22	29	24
Rubber	27	23	27	36	37
(In kilograms per hectare of harvested area)					
Yield					
Paddy	3,080	3,129	2,440	3,384	3,317
Wheat	1,045	969	1,114	1,168	1,209
Maize	1,913	1,656	1,715	1,733	2,126
Pulses	781	709	703	788	836
Groundnuts	1,211	1,147	11,232	1,248	1,275
Sesame	382	298	286	325	297
Sunflower	783	592	355	543	574
Cotton	667	545	545	508	534
Jute	971	892	916	950	952
Sugarcane (mt per ha)	50	44	43	44	45
Myanma tobacco	1,676	1,615	1,621	1,700	1,712
Virginia tobacco	6,250	5,250	5,338	5,931	6,502
Rubber	563	489	506	576	587

Source: Data provided by the Myanmar authorities.

Table 8. Myanmar: Harvested Acreage Under Major Crops, 1997/98–2001/02

(In thousands of hectares)

	1997/98	1998/99	1999/00	2000/01	2001/02
Paddy	5,408	5,459	6,211	6,302	5,465
Wheat	88	96	105	80	79
Maize	161	183	204	210	251
Pulses	2,046	2,376	2,599	2,873	3,179
Groundnuts	446	490	560	586	567
Sesame	774	705	1,034	1,311	1,159
Sunflower	115	319	451	495	486
Cotton	246	290	322	300	264
Jute	34	37	36	44	49
Sugarcane	103	123	125	133	158
Myanma tobacco	34	26	29	28	25
Virginia tobacco	4	4	4	5	4
Rubber	48	47	53	62	63
Total	9,507	10,155	11,733	12,429	11,749

Source: Data provided by the Myanmar authorities.

Table 9. Myanmar: Production of Selected Minerals by State
Economic Enterprises, 1997/98–2001/02

(In metric tons unless otherwise stated)

	1997/98	1998/99	1999/00	2000/01	2001/02
Tin concentrate	154	113	77	244	250
Tungsten concentrate	18	43	5	0	1
Tin and tungsten concentrate	31	40	...	69	38
Tin, tungsten, and scheelite mixed concentrate	788	298	291	197	114
Refined lead	1,913	1,855	1,716	1,200	810
Zinc concentrate	1,303	1,236	506	1,960	620
Copper ore ('000 long tons)	472	9,727	27,853	26,523	24,455
Refined silver ('000 ounces)	112	117	90	65	43
Coal ('000 long tons)	29	31	98	455	693
Gold (troy ounces)	13,179	10,742	8,572	3,619	4,225

Source: Data provided by the Myanmar authorities.

Table 10. Myanmar: Supply of Primary Energy, 1997/98–2001/02

	1997/98	1998/99	1999/00	2000/01	2001/02
(In thousands of barrels of crude oil or equivalent)					
Commercial primary energy	24,058	26,584	29,956	31,331	30,688
Crude oil	13,856	16,782	20,698	22,768	23,386
domestic sales	2,922	2,796	2,828	3,056	3,096
import	10,899	13,986	17,870	19,712	20,290
Natural gas 1/	10,061	9,726	9,174	8,410	7,141
Hydroelectricity 2/	141	76	84	152	147
(In percent change)					
Commercial primary energy	-28.6	10.5	12.7	4.6	-2.1
Crude oil	14.1	21.1	23.3	10.0	2.7
Natural gas	8.4	-3.3	-5.7	-8.3	-15.1
Hydroelectricity	7.6	-46.1	9.5	82.2	-3.7

Source: Data provided by the Myanmar authorities.

1/ Converted at 1 million cubic feet of natural gas = 167.1 barrels of crude oil.

2/ Converted at 1 million kwh = 80.6 barrels of oil.

Table 11. Myanmar: Production, Trade, and Consumption of Oil and Natural Gas, 1997/98–2001/02

(In thousands of barrels) 1/

	1997/98	1998/99	1999/00	2000/01	2001/02
Total production					
(in crude oil equivalent)	14,244	23,427	40,142	55,301	57,159
Crude oil	3,632	3,378	3,480	4,982	5,274
Natural gas					
(in crude oil equivalent) 2/	10,612	20,049	36,662	50,319	51,885
Utilization					
Domestic consumption 3/	24,292	26,678	30,189	31,525	31,122
Crude oil	13,769	16,535	20,599	22,705	23,560
Natural gas (in crude oil equivalent) 2/	10,523	10,143	9,590	8,820	7,562
Of which					
Electricity generation	7,026	6,923	6,285	5,455	4,689
Trade					
Imports of crude oil and products	10,899	13,986	17,870	19,712	20,290
Exports of oil products					
(in crude oil equivalent)	61	58	...	...	...

Sources: Data provided by the Myanmar authorities; and Fund staff estimates.

1/ One barrel = 42 U.S. gallons.

2/ The conversion factor used is 1 million cu. ft. of natural gas = 167.1 barrels of crude oil (1 million BTUs=1,000 cu. ft. of natural gas).

3/ Including changes in stock.

Table 12. Myanmar: Domestic Output of Petroleum
Products, 1997/98–2001/02

(In millions of gallons)

	1997/98	1998/99	1999/00	2000/01	2001/02
Gasoline	77.7	81.8	82.0	80.6	70.8
Diesel fuel	123.1	119.1	116.1	112.6	97.1
Furnace oil	25.7	25.1	16.9	33.7	28.6
Kerosene	0.2	0.0	0.0	0.2	0.4
Aviation fuel	15.7	14.1	16.2	17.9	18.6

Source: Data provided by the Myanmar authorities.

Table 13. Myanmar: Use of Petroleum Products by Industries, 1997/98–2001/02

(In thousands of barrels)

	1997/98	1998/99	1999/00	2000/01	2001/02
Agriculture	948	1,210	1,365	1,373	1,046
Livestock and fishery	183	497	696	464	112
Forestry	255	324	389	366	323
Mining	307	261	277	288	223
Manufacturing and processing	526	487	440	603	521
Power	442	962	1,804	1,579	1,152
Construction	402	376	408	399	323
Transportation	995	985	988	953	942
Other	4,920	5,821	6,128	6,574	5,947
Total	8,978	10,923	12,495	12,599	10,589

Source: Data provided by the Myanmar authorities.

Table 14. Myanmar: Official Retail Prices of Major Petroleum Products, 1997–2001

(In kyats per liter; end of period)

	1997	1998	1999	2000	2001
Gasoline					
Official	39.6	39.6	39.6	39.6	39.6
Diesel fuel					
Official	35.2	35.2	35.2	35.2	35.2
Furnace oil					
Official	2.6	2.6	2.6	2.6	2.6
Kerosene					
Official	3.3	3.3	3.3	3.3	3.3
Memorandum items:					
Import unit value 1/					
Crude oil	25.6	18.8	35.3	30.6	33.5
Diesel oil	26.5	19.4	35.5	32.2	42.1
Imports ('000 barrels)					
Crude oil	4,794	5,077	5,003	4,724	3,929
Diesel oil	2,564	3,742	5,404	6,295	6,871

Source: Data provided by the Myanmar authorities.

1/ US\$ per barrel, c.i.f. basis.

Table 15. Myanmar: Generation and Consumption of Electricity, 1997/98–2001/02

(In millions of kilowatt hours)

	1997/98	1998/99	1999/00	2000/01	2001/02
Electricity					
Electric generation 1/	4,550	4,139	4,639	5,118	5,674
Hydroelectricity	1,747	948	1,038	1,892	1,822
Steam	212	225	668	662	895
Gas	2,543	2,922	2,878	2,528	2,915
Diesel	48	44	55	36	42
Total consumption	2,676	2,716	2,910	3,268	4,262
Domestic	1,206	1,132	1,157	1,361	1,789
Industrial	914	956	1,106	1,295	1,616
Hospitals, offices, schools, etc.	473	537	561	527	748
Other	83	91	86	85	109
Departmental Use	139	140	101	102	106
Losses 2/	1,735	1,283	1,628	1,748	1,306
Memorandum items:					
Length of electric power lines of MEPE (miles)	13,181	17,015	17,360	17,764	18,388
Electric generating capacity (megawatts)	1,036	1,031	1,171	1,170	1,164
Of which: Hydroelectric	328	340	360	360	360
Unit sales price (in kyat)	1.3	1.5	4.9	5.1	5.7
Unit cost (in kyat)	1.1	2.1	1.8	8.1	5.9
Ratio of losses to generation (in percent)	38.1	31.0	35.1	34.2	23.0

Source: Data provided by the Myanmar authorities.

1/ Units generated by the Myanma Electric Power Enterprise (MEPE) only.

2/ Includes losses in generation, transmission, and distribution.

Table 16. Myanmar: Population and Employment, 1997/98–2001/02

(In thousands, unless otherwise specified)

	1997/98	1998/99	2000/01	2001/02
Population 1/	46,402	48,160	50,125	51,138
Growth rate (in percent)	1.8	2.0	2.0	2.0
Total employment	18,337			
Growth rate (in percent)	2.1			
Agriculture	11,507			
Livestock and fishery	397			
Forestry	189			
Mining	121			
Manufacturing and processing	1,666			
Construction	400			
Power	26			
Transportation and communications	495			
Social services	597			
Administration	888			
Trade	1,781			
Other	270			
Employment by sector	18,337			
Public sector 2/	1,411			
Private sector and cooperatives	16,948			
Percentage share of total	92			
Memorandum item:				
Labor force 3/	19,743			
Urban	4,418			
Rural	15,325			

Source: Data provided by the Myanmar authorities.

1/ Data for mid-fiscal year.

2/ Including casual labor.

3/ Estimates based on the Myanmar Labor Force Survey, 1990.

Table 17. Myanmar: Yangon Consumer Price Index 1998/99-2000/01

	Weights	1998/99	1999/00	2000			2001			2002			
				Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Nov.	
(1997 = 100; annual average, end of month)													
All items	100.0	133.5	154.4	150.6	153.9	152.0	148.3	156.4	180.2	204.5	223.8	240.5	
Food and beverages	68.3	133.3	154.1	148.4	150.6	148.2	141.4	150.5	169.7	198.1	220.3	239.5	
Clothing and apparel	5.7	130.2	136.1	131.9	135.9	139.6	142.5	149.4	182.6	206.4	223.7	234.1	
Housing and repairs	4.0	117.1	131.8	130.8	135.0	134.3	135.6	144.9	161.8	172.3	186.1	198.1	
Fuel and light	5.9	128.7	146.2	151.6	161.4	159.5	164.3	171.7	184.5	206.7	224.8	236.0	
Miscellaneous goods and services	16.3	141.3	170.4	170.8	175.9	174.0	176.3	180.5	226.6	238.0	247.2	259.1	
(12-month percentage change)													
All items		30.1	15.6					3.8	17.1	34.6	51.0	53.8	
Food and beverages		30.0	15.6					1.4	12.7	33.7	55.8	59.1	
Clothing and apparel		27.1	4.5					13.2	34.4	47.8	57.0	56.7	
Housing and repairs		15.5	12.6					10.8	19.8	28.3	37.2	36.7	
Fuel and light		25.6	13.6					13.3	14.3	29.6	36.8	37.4	
Miscellaneous goods and services		36.7	20.6					5.7	28.8	36.8	90.2	43.5	

Source: Data provided by the Myanmar authorities.

Table 18. Myanmar: Summary Operations of the Nonfinancial Public Sector, 1997/98-2002/03

(In billions of kyats)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	
						Budget	Staff Est.
Union Government							
Receipts	88.3	116.7	118.0	135.1	149.5	183.6	217.7
Tax revenue	45.9	52.6	55.3	70.1	74.9	99.1	116.9
Transfers from SEEs	26.9	43.7	44.4	41.1	43.2	59.6	70.3
Other nontax revenue	13.9	19.8	17.8	23.6	30.8	24.5	30.0
Foreign grants 1/	1.6	0.6	0.5	0.2	0.5	0.5	0.6
Expenditures 2/	98.1	123.5	145.2	220.8	270.9	241.6	348.1
Current expenditures	48.0	63.1	84.7	133.9	172.3	157.8	220.4
Wages/Salaries	8.1	7.6	8.2	49.7	51.2	51.5	51.5
Goods and services	14.3	18.6	22.6	24.8	26.6	25.8	38.2
Maintenance and repairs	15.2	17.1	21.3	23.6	28.2	23.6	36.5
Contributions	2.6	8.1	14.8	4.7	24.3	12.0	38.2
Interest payments	7.8	11.7	17.8	24.6	33.7	36.8	47.7
Domestic	7.6	11.6	17.7	24.4	33.4	36.5	47.3
External (due) 1/	0.2	0.1	0.1	0.2	0.3	0.3	0.4
Other	0.0	...	0.0	6.5	8.4	8.2	8.2
Capital expenditures 3/	50.2	60.5	60.5	86.9	98.5	83.8	127.7
Current Balance	40.3	53.6	33.3	1.2	-22.9	25.8	-2.7
Overall Balance	-9.8	-6.8	-27.2	-85.7	-121.4	-57.9	-130.4
State Economic Enterprises							
Receipts	185.0	242.2	315.5	284.4	404.9	414.8	573.5
Expenditures	232.4	328.1	386.5	411.7	455.8	474.8	710.0
Current	214.5	309.4	365.5	389.8	418.3	438.6	661.5
Capital	17.9	18.6	21.0	21.9	37.4	36.2	48.5
Current Balance	-29.5	-67.3	-50.0	-105.5	-13.5	-23.9	-88.0
Overall Balance	-47.4	-85.9	-71.0	-127.3	-50.9	-60.0	-136.5
Consolidated Accounts							
Receipts	88.3	116.7	118.0	135.1	149.5	183.6	217.7
Tax	45.9	52.6	55.3	70.1	74.9	99.1	116.9
Non-tax	40.7	63.5	62.2	64.7	74.0	84.1	100.3
Grants 1/	1.6	0.6	0.5	0.2	0.5	0.5	0.6
Expenditures	145.5	209.5	216.2	348.2	321.8	301.6	484.7
Current	77.4	130.4	134.7	239.4	185.8	181.7	308.4
Capital	68.1	79.1	81.5	108.8	136.0	119.9	176.3
Current Balance	10.9	-13.7	-16.7	-104.3	-36.4	1.9	-90.7
Overall Balance	-57.2	-92.8	-98.2	-213.1	-172.3	-118.0	-266.9
Financing	57.2	92.8	98.2	213.1	172.3	118.0	266.9
Foreign loans (net on accrual) 1/	-0.3	0.3	-1.4	-1.9	-1.3	-1.9	-1.9
Foreign loans (gross)	1.1	2.5	0.8	0.1	0.5	0.3	0.3
Amortization due	-1.3	-2.2	-2.2	-2.0	-1.9	-2.1	-2.1
Change in external arrears 1/	1.1	2.2	2.1	1.1	0.3	1.9	1.9
Interest	0.3	0.6	0.5	0.1	0.0	0.3	0.3
Principal	0.8	1.6	1.6	1.0	0.3	1.6	1.6
Domestic financing	44.7	75.6	101.9	196.9	242.1	118.0	266.9
Domestic bank financing	44.7	56.0	116.6	178.6	243.5	118.0	266.9
Central Bank	44.4	51.2	62.6	139.9	258.4	...	...
Commercial banks 4/	0.3	4.8	54.0	38.6	-14.9	...	...
Non-bank financing	0.0	19.6	-14.7	18.3	-1.4	...	...
Memorandum items:							
Union Government balance exclusive of SEE transfers	-36.7	-50.5	-71.6	-126.9	-164.6	-117.5	-200.7
SEE balance exclusive of transfers	-20.5	-42.2	-26.6	-86.2	-7.7	-0.5	-66.3

Sources: Budget Department, Ministry of Finance and Revenue; and staff estimates.

1/ Valued at the official exchange rate.

2/ Excludes off-budget expenditures

3/ Includes net lending.

4/ Includes purchase of Treasury Bonds by commercial banks.

Table 19. Myanmar: Summary Operations of the Nonfinancial Public Sector, 1997/98-2002/03

(In percent of GDP)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	
						Budget	Staff Est.
Union Government							
Receipts	7.8	7.2	5.4	5.3	4.2	4.0	4.0
Tax revenue	4.1	3.3	2.5	2.7	2.1	2.1	2.1
Transfers from SEEs	2.4	2.7	2.0	1.6	1.2	1.3	1.3
Other nontax revenue	1.2	1.2	0.8	0.9	0.9	0.5	0.5
Foreign grants 1/	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures 2/	8.7	7.6	6.6	8.6	7.7	5.2	6.4
Current expenditures	4.3	3.9	3.9	5.2	4.9	3.4	4.0
Wages/Salaries	0.7	0.5	0.4	1.9	1.5	1.1	0.9
Goods and services	1.3	1.2	1.0	1.0	0.8	0.6	0.7
Maintenance and repairs	1.3	1.1	1.0	0.9	0.8	0.5	0.7
Contributions	0.2	0.5	0.7	0.2	0.7	0.3	0.7
Interest payments:	0.7	0.7	0.8	1.0	1.0	0.8	0.9
Domestic	0.7	0.7	0.8	1.0	0.9	0.8	0.9
External (due) 1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	...	0.0	0.3	0.2	0.2	0.1
Capital expenditures 3/	4.4	3.7	2.8	3.4	2.8	1.8	2.3
Current Balance	3.6	3.3	1.5	0.0	-0.6	0.6	0.0
Overall Balance	-0.9	-0.4	-1.2	-3.4	-3.4	-1.3	-2.4
State Economic Enterprises							
Receipts	16.4	15.0	14.4	11.1	11.5	9.0	10.5
Expenditures	20.6	20.3	17.6	16.1	12.9	10.3	13.0
Current	19.0	19.2	16.6	15.2	11.9	9.5	12.1
Capital	1.6	1.2	1.0	0.9	1.1	0.8	0.9
Current Balance	-2.6	-4.2	-2.3	-4.1	-0.4	-0.5	-1.6
Overall Balance	-4.2	-5.3	-3.2	-5.0	-1.4	-1.3	-2.5
Consolidated Accounts							
Receipts	7.8	7.2	5.4	5.3	4.2	4.0	4.0
Tax	4.1	3.3	2.5	2.7	2.1	2.1	2.1
Non-tax	3.6	3.9	2.8	2.5	2.1	1.8	1.8
Grants 1/	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures	12.9	13.0	9.8	13.6	9.1	6.5	8.9
Current	6.9	8.1	6.1	9.4	5.3	3.9	5.6
Capital	6.0	4.9	3.7	4.3	3.9	2.6	3.2
Current Balance	1.0	-0.8	-0.8	-4.1	-1.0	0.0	-1.7
Overall Balance	-5.1	-5.7	-4.5	-8.3	-4.9	-2.5	-4.9
Financing							
Foreign loans (net accrual) 1/	0.0	0.0	-0.1	-0.1	0.0	-0.1	0.0
Change in external arrears 1/	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Domestic financing	5.0	5.6	4.6	7.7	6.9	2.6	4.9
Domestic bank financing	4.0	3.5	5.3	7.0	6.9	...	...
Other	1.1	2.3	-0.7	0.7	0.0	...	...
Memorandum items:							
Union Government balance exclusive of SEE transfers	-3.3	-3.1	-3.3	-5.0	-4.7	-2.5	-3.7
SEE balance exclusive of transfers	-1.8	-2.6	-1.2	-3.4	-0.2	0.0	-1.2

Sources: Budget Department, Ministry of Finance and Revenue; and staff estimates.

1/ Valued at the official exchange rate.

2/ Excludes off-budget expenditures.

3/ Includes net lending.

Table 20. Myanmar: Union Government Revenues, 1997/98-2002/03

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 Budget
(In billions of kyats)						
Total revenue and grants	88.3	116.7	117.9	134.8	147.2	183.4
Tax revenue	45.9	52.6	55.3	70.1	74.9	99.1
Taxes on Income	15.3	20.5	21.6	26.6	29.9	41.8
Income Tax	11.1	16.6	17.1	20.2	21.5	41.8
Profit tax	4.2	3.9	4.5	6.3	8.4	0.0
Commercial tax	18.1	22.7	24.6	33.2	32.7	47.9
Taxes on property use	1.6	1.9	1.6	2.0	2.2	2.1
Land tax	0.1	0.1	0.1	0.1	0.1	0.1
Extraction of forestry products	0.7	0.7	0.8	1.0	1.2	1.2
Fisheries Tax	0.7	1.1	0.7	0.9	0.9	0.8
Customs Duties	8.6	5.2	5.2	5.2	6.1	4.5
Excise Duties	0.2	0.2	0.2	0.3	0.3	0.3
Other	2.3	2.1	2.1	2.9	3.8	2.5
Import license fee	0.2	0.2	0.2	0.3	0.4	0.3
Motor vehicle tax	0.8	1.0	0.9	1.2	1.2	1.0
Stamp duties	1.3	0.9	1.0	1.4	2.3	1.2
Nontax revenue	40.7	63.5	62.1	64.4	71.7	83.8
Transfers from SEEs	26.9	43.7	44.4	41.1	43.2	59.6
Other	13.9	20.1	18.0	10.0	14.4	13.4
Registration fees	0.1	0.1	0.1	0.1	0.1	0.0
School fees	0.2	0.5	1.2	1.2	2.2	2.3
Mechanized Agricultural Department receipts	1.0	2.7	2.9	2.3	5.2	5.0
Union Government capital receipts	0.8	0.1	0.4	0.0	0.0	0.0
Other Union Government receipts	7.8	12.1	7.8	0.0	0.0	0.0
Representative Bodies receipts	0.1	0.3	0.2	0.0	0.0	0.0
Public Debt Account receipts	0.1	0.1	0.1	0.0	0.0	0.0
State Lottery	3.7	4.2	5.3	6.4	6.9	6.1
Foreign grants 1/	1.6	0.6	0.5	0.2	0.5	0.5
(In percent of GDP)						
Total revenue and grants	7.8	7.2	5.4	5.3	4.2	4.0
Tax revenue	4.1	3.3	2.5	2.7	2.1	2.1
Taxes on Income	1.4	1.3	1.0	1.0	0.8	0.9
Income Tax	1.0	1.0	0.8	0.8	0.6	0.9
Profit tax	0.4	0.2	0.2	0.2	0.2	0.0
Commercial tax	1.6	1.4	1.1	1.3	0.9	1.0
Taxes on property use	0.1	0.1	0.1	0.1	0.1	0.0
Customs Duties 2/	0.8	0.3	0.2	0.2	0.2	0.1
Other 1/	0.2	0.0	0.0	0.0	0.0	0.0
Nontax revenue	3.6	3.9	2.8	2.0	1.6	1.6
Transfers from SEEs	2.4	2.7	2.0	1.6	1.2	1.3
Other	1.2	1.2	0.8	0.4	0.4	0.3
Foreign grants 1/	0.1	0.0	0.0	0.0	0.0	0.0

Sources: Budget Department, Ministry of Finance and Revenue; and staff estimates.

1/ Valued at the official exchange rate.

2/ Including excise duties.

Table 21. Myanmar: Union Government Expenditure by Functional Classification, 1997/98-2002/03 1/

(In billions of kyats)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 Budget
Total expenditure 2/	98.1	123.5	145.2	220.8	270.9	241.6
Current expenditure	48.0	63.1	84.7	133.9	172.3	157.8
General Services	5.1	4.9	5.4	11.6	12.3	11.8
SPDC etc.	0.9	1.1	1.1	2.3	2.4	2.2
Home	2.7	3.5	3.8	8.6	9.2	8.6
Information	0.2	0.2	0.3	0.5	0.5	0.7
Foreign Affairs	1.2	0.1	0.2	0.2	0.3	0.3
Defense	14.7	16.0	19.3	35.1	39.1	39.7
Economic Services	10.0	12.5	15.6	27.0	27.3	22.5
Agriculture and Forestry	5.0	6.5	7.9	14.8	12.7	11.7
Industry	0.0	0.1	0.1	0.2	0.2	0.3
Mines	0.1	0.1	0.1	0.1	0.2	0.3
Transport and Communications	0.3	0.3	0.4	0.8	0.9	0.9
Public Works and Housing	3.8	4.6	5.9	8.7	10.9	7.0
Trade	0.1	0.1	0.1	0.2	0.2	0.2
Co-operatives	0.3	0.3	0.3	0.8	0.8	0.8
Planning and Finance	0.6	0.6	0.8	1.4	1.4	1.4
Social Services	8.9	9.7	11.8	30.9	35.7	34.9
Education	5.3	6.4	7.0	21.2	23.7	22.9
Health	1.6	1.9	2.1	4.8	5.5	5.2
Pensions and Gratuities	1.7	1.1	2.3	4.1	5.5	5.9
Labour	0.0	0.1	0.1	0.1	0.2	0.2
Social Welfare	0.3	0.3	0.3	0.7	0.8	0.8
Total interest payments	7.8	11.7	17.8	24.6	33.7	36.8
Other current expenditure 3/	1.5	8.3	14.8	4.7	24.3	12.1
Capital expenditure	50.2	60.5	60.5	86.9	98.5	83.8
Representative Bodies	0.6	0.8	1.1	1.2	0.9	1.0
General Services	1.4	1.2	2.0	2.4	3.9	4.8
Defense	15.5	23.6	18.8	28.4	25.8	12.6
Economic Services	24.5	29.3	30.3	41.4	52.3	47.2
Agriculture and Forestry	8.2	11.4	9.5	23.6	13.0	12.8
Industry	0.0	0.0	...	0.1	0.1	4.0
Mines	0.0	0.0	...	0.0	0.0	0.0
Transport and Communications	2.2	5.3	3.8	2.2	5.2	4.6
Public Works and Housing	13.9	12.3	16.4	14.7	33.2	24.9
Planning and Finance	0.2	0.2	0.6	0.8	0.8	0.9
Social Services	6.6	4.6	7.1	12.7	15.0	16.5
Education	4.7	3.2	5.2	10.1	11.6	13.1
Health	1.9	1.3	1.9	2.5	3.4	3.4
Other 4/	1.6	1.0	1.2	0.8	0.7	1.6

Sources: Budget Department, Ministry of Finance and Revenue; and staff estimates.

1/ On a cash basis, except for interest payments.

2/ Excludes off-budget expenditures.

3/ Includes contributions to international organizations, Reserve Fund, and unallocated expenditure.

4/ Includes net lending.

Table 22. Myanmar: Union Government Expenditure by Functional Classification, 1997/98-2002/03 1/

(In percent of GDP)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 Budget
Total expenditure 2/	8.7	7.6	6.6	8.6	7.7	5.2
Current expenditure	4.3	3.9	3.9	5.2	4.9	3.4
General Services	0.5	0.3	0.2	0.5	0.3	0.3
SPDC etc.	0.1	0.1	0.1	0.1	0.1	0.0
Home	0.2	0.2	0.2	0.3	0.3	0.2
Other	0.1	0.0	0.0	0.0	0.0	0.0
Defense	1.3	1.0	0.9	1.4	1.1	0.9
Economic Services	0.9	0.8	0.7	1.1	0.8	0.5
Agriculture and Forestry	0.4	0.4	0.4	0.6	0.4	0.3
Public Works and Housing	0.3	0.3	0.3	0.3	0.3	0.2
Other	0.1	0.1	0.1	0.1	0.1	0.1
Social Services	0.8	0.6	0.5	1.2	1.0	0.8
Education	0.5	0.4	0.3	0.8	0.7	0.5
Health	0.1	0.1	0.1	0.2	0.2	0.1
Pensions and Gratuities	0.2	0.1	0.1	0.2	0.2	0.1
Labour	0.0	0.0	0.0	0.0	0.0	0.0
Social Welfare	0.0	0.0	0.0	0.0	0.0	0.0
Total interest payments	0.7	0.7	0.8	1.0	1.0	0.8
Other current expenditure 3/	0.1	0.5	0.7	0.2	0.7	0.3
Capital expenditure	4.4	3.7	2.8	3.4	2.8	1.8
Representative Bodies	0.1	0.1	0.1	0.0	0.0	0.0
General Services	0.1	0.1	0.1	0.1	0.1	0.1
Defense	1.4	1.5	0.9	1.1	0.7	0.3
Economic Services	2.2	1.8	1.4	1.6	1.5	1.0
Agriculture and Forestry	0.7	0.7	0.4	0.9	0.4	0.3
Public Works and Housing	1.2	0.8	0.7	0.6	0.9	0.5
Other	0.2	0.3	0.2	0.1	0.2	0.2
Social Services	0.6	0.3	0.3	0.5	0.4	0.4
Education	0.4	0.2	0.2	0.4	0.3	0.3
Health	0.2	0.1	0.1	0.1	0.1	0.1
Other 4/	0.1	0.1	0.1	0.0	0.0	0.0

Sources: Budget Department, Ministry of Finance and Revenue; and staff estimates.

1/ On a cash basis, except for interest payments.

2/ Excludes off-budget expenditures.

3/ Includes contributions to international organizations, Reserve Fund, and unallocated expenditure.

4/ Includes net lending.

Table 23. Myanmar: Sectoral Breakdown of SEEs' Financial Position, 1997/98-2002/03 1/

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 Budget
(In millions of kyats)						
Agriculture and forestry	-16,422	-25,697	-21,194	-49,118	-22,360	-25,735
Current balance	-14,500	-19,711	-17,765	-45,872	-19,358	-23,604
Capital expenditure	1,922	5,986	3,429	3,246	3,002	2,131
Fisheries and pearls	-152	-60	-51	-102	470	875
Current balance	-100	-26	-23	7	653	1,172
Capital expenditure	52	34	28	109	183	297
Industrial	5,118	1,274	1,833	-9,010	-4,331	-10,328
Current balance	6,202	2,499	5,011	-1,649	9,846	9,713
Capital expenditure	1,084	1,225	3,178	7,361	14,177	20,041
Minerals	-2,237	-790	-1,162	-1,690	-3,217	-1,711
Current balance	-1,914	-248	-41	-35	-1,167	-868
Capital expenditure	323	542	1,121	1,655	2,050	843
Construction	-395	-2,810	-1,665	-8,273	17,054	6,949
Current balance	-295	-2,647	-1,538	-7,976	17,331	7,115
Capital expenditure	100	163	127	297	277	166
Power	-3,784	-4,446	-4,989	-7,283	-4,453	-1,955
Current balance	366	-1,349	-885	-4,215	1,469	187
Capital expenditure	4,150	3,097	4,104	3,068	5,922	2,142
Transport	-7,501	-6,196	-8,369	-4,439	-7,074	-5,716
Current balance	1,694	752	82	628	2,604	2,615
Capital expenditure	9,195	6,948	8,451	5,067	9,678	8,331
Trade	-26,383	-51,206	-38,825	-50,509	-32,339	-30,324
Current balance	-25,745	-50,927	-38,325	-50,000	-31,152	-29,251
Capital expenditure	638	279	500	509	1,187	1,073
Other	4,179	-3,970	2,654	2,672	5,098	7,834
Current balance	4,738	4,363	3,114	3,437	6,181	9,008
Capital expenditure	559	393	460	765	1,083	1,174
Total SEEs						
Current balance	-29,554	-67,294	-50,370	-105,675	-13,593	-23,913
Capital expenditure 2/	18,023	18,667	21,398	22,077	37,559	36,198
Overall balance	-47,577	-85,961	-71,768	-127,752	-51,152	-60,111
(In percent of GDP)						
Total SEEs						
Current balance	-2.6	-4.2	-2.3	-4.1	-0.4	-0.5
Capital expenditure 2/	1.6	1.2	1.0	0.9	1.1	0.8
Overall balance	-4.2	-5.3	-3.3	-5.0	-1.5	-1.3

Sources: Budget Department, Ministry of Finance and Revenue; and staff estimates.

1/ Current surplus is recorded on a cash basis before payments of interest but after contributions to the Union Government.

2/ Gross capital expenditure excluding capital revenue.

Table 24: Myanmar: Monetary Survey, 1998-2002 1/

	1998 March	1999 March	2000 March	2001				2002 March
				March	June	Sept.	Dec.	
(In millions of kyats, end-of-period)								
Net foreign assets	-10,309	-9,255	-10,588	-11,726	-10,929	-10,645	-10,384	-9,806
Domestic credit	382,133	485,940	634,891	918,708	1,022,920	1,108,397	1,204,539	1,254,992
Claims on public sector (net)	263,402	319,375	435,879	614,841	679,822	735,661	787,863	778,092
<i>Of which</i> : T-bonds held by private banks	2,844	8,030	63,040	102,528	103,368	107,228	107,051	103,304
Claims on private sector	118,731	166,565	199,012	303,867	343,098	372,736	416,676	476,900
<i>Of which</i> : by private banks	55,977	96,790	126,290	232,556	270,310	294,456	339,248	406,905
Other items (net)	-2,714	-5,837	-5,821	4,532	-23,423	-25,300	-42,442	59,910
Broad money (at official exchange rate)	369,124	470,852	618,484	911,515	988,569	1,072,454	1,151,713	1,305,097
Narrow money	259,121	307,523	382,573	559,625	608,035	654,322	701,153	839,490
<i>Of which</i> : Currency outside banks	223,249	259,894	300,001	419,560	450,324	477,879	494,521	607,629
<i>Of which</i> : FECs outside banks	231	208	335	492	495	327	272	389
Quasi-money	110,003	163,329	235,911	351,890	380,534	418,132	450,560	465,607
<i>Of which</i> : FC-denominated deposits	916	933	1,115	1,083	1,200	1,180	1,307	1,358
Reserve money	249,337	300,778	366,708	543,994	593,143	607,072	653,723	779,673
<i>Of which</i> : Currency in circulation	236,854	277,886	326,519	461,421	498,886	519,920	551,343	664,859
Broad money (at market exchange rate) 2/	412,858	527,438	693,055	1,020,928	1,125,647	1,216,904	1,311,024	1,502,821
<i>Of which</i> : FECs outside banks and FC deposits	44,881	57,727	76,021	110,988	138,773	145,957	160,890	199,471
(Annual percentage change)								
Domestic credit	28.5	27.2	30.7	44.7	49.3	46.3	47.0	36.6
Claims on public sector (net)	20.4	21.3	36.5	41.1	45.0	43.3	42.6	26.6
Claims on private sector	50.9	40.3	19.5	52.7	58.8	52.6	56.1	56.9
<i>Of which</i> : by private banks	68.3	72.9	30.5	84.1	91.0	78.1	80.5	75.0
Broad Money (at official exchange rate)	28.7	27.6	31.4	47.4	49.1	44.3	43.9	43.2
Narrow Money	30.6	18.7	24.4	46.3	50.5	50.4	50.8	50.0
Quasi-money	24.5	48.5	44.4	49.2	46.8	35.7	34.3	32.3
<i>Of which</i> : FC deposits	75.1	1.9	19.5	-2.9	3.1	5.3	19.9	25.4
Reserve money	20.2	20.6	21.9	48.3	55.0	49.9	51.6	43.3
<i>Of which</i> : Currency in circulation	28.9	17.3	17.5	41.3	48.2	46.7	45.9	44.1
Broad money (at market exchange rate) 2/	35.0	27.8	31.4	47.3	50.8	46.5	64.1	47.2
(Contribution to annual growth of broad money, in percent)								
Domestic credit	29.5	28.1	31.6	45.9	51.0	47.2	48.1	36.9
Claims on public sector (net)	15.6	15.2	24.7	28.9	31.8	29.9	29.4	17.9
Claims on private sector	14.0	13.0	6.9	17.0	19.2	17.3	18.7	19.0
Other items (net)	-1.0	-0.8	0.0	1.7	-1.7	-2.7	-4.2	6.1
Broad Money (at official exchange rate)	28.7	27.6	31.4	47.4	49.1	44.3	43.9	43.2
Narrow Money	21.2	13.1	15.9	28.6	30.8	29.5	29.5	30.7
Quasi-money	7.5	14.4	15.4	18.8	18.3	14.8	14.4	12.5
Memorandum items				(In percent)				
FEC market exchange rate (K/USD), eop */	242.6	323.8	330.3	451.0	564.0	645.0	698.0	765.0
Official exchange rate (K/USD)	6.20	6.40	6.30	6.4	6.9	6.7	6.9	6.7
GDP (in billions of kyats)	1128	1615	2195	2558	...	...	...	3524
Broad money multiplier	1.48	1.57	1.69	1.68	1.67	1.77	1.76	1.67
Velocity	3.40	3.80	4.00	3.30	...	...	...	3.20
(In percent)								
Currency/deposits (broad money)	1.5	1.2	0.9	0.9	0.8	0.8	0.8	0.9
FECs+FC deposits/broad money 2/	10.9	10.9	11.0	10.9	12.3	12.0	12.3	13.3
FC deposits/total deposits 2/	18.8	19.0	15.4	12.8	15.5	16.2	16.9	17.8
Credit to private sector/domestic credit	31.1	34.3	31.3	33.1	33.5	33.6	34.6	38.0
Credit by private banks/domestic credit	15.4	21.6	29.8	36.5	36.5	36.2	37.1	40.7
Private bank deposits/total deposits	45.4	55.1	64.4	69.5	69.2	71.8	74.2	72.6

Source: Central Bank of Myanmar and staff estimates

1/ FEC denotes Foreign Exchange Certificates and FC denotes foreign currency denominated deposits.

2/ FECs and FC deposits valued at FEC market exchange rate.

Table 25. Myanmar: Monetary Authorities' Accounts, 1998-2002

	1998	1999	2000	2001			2002	
	March	March	March	March	June	Sept.	Dec.	March
Foreign assets (net) 1/	-23	1,327	39	-925	-55	319	598	567
Domestic credit (net)								
Claims on central government (net)	270,837	324,003	389,160	556,913	624,087	643,662	696,616	729,257
Claims on deposit money banks	252,942	304,152	366,765	506,688	570,772	623,054	675,040	666,519
	17,895	19,851	22,395	50,225	53,315	20,608	21,576	62,738
Other items (net)	1,443	-359	538	10,653	-7,881	-13,533	-19,642	73,613
Of which : Capital accounts	-2,882	-4,876	-5,285	-8,952	-8,952	-8,952	-8,952	-10,083
Reserve money	249,337	300,778	366,708	543,994	593,143	607,072	653,723	779,673
Of which : Currency issued	236,854	277,886	326,519	461,421	498,886	519,920	551,343	664,859
Of which : FECs issued 2/	694	952	1,358	1,631	1,672	1,748	1,727	1,886
Other (nonreserve) liabilities to deposit money banks	22,935	24,196	23,032	22,647	23,009	23,377	23,850	23,765
Memorandum items:								
FECs issued, in millions of kyats 3/	694	952	1,358	1,631	1,672	1,748	1,727	1,886
FECs in banks	463	744	1,023	1,139	1,177	1,421	1,455	1,497
FECs outside banks	231	208	335	492	495	327	272	389
FECs issued, in millions of U.S. dollars, at official rate 3/	112	149	216	255	243	262	252	281
FECs in banks	75	116	162	178	171	213	212	223
FECs outside banks	37	33	53	77	72	49	40	58

Source: Central Bank of Myanmar and staff estimates

- 1/ Comprises foreign assets of the Central Bank of Myanmar and foreign assets of the Myanmar Foreign Trade Bank, Myanmar Investment and Commercial Bank and Myanmar Economic Bank, with a contra-entry included in Other (nonreserve) liabilities to deposit money banks.
2/ FEC denotes Foreign Exchange Certificates.
3/ Based on the banks' balance sheets.

Table 26. Myanmar: Bank Deposits and Loans, 1998-2002

	1998	1999	2000	2001	2002
	March				
	(In millions of kyats)				
Deposits and savings certificates	145,418	210,692	318,141	491,456	696,945
Demand deposits	35,415	47,363	82,230	139,566	231,338
Time and savings deposits	100,706	152,261	223,219	338,178	450,832
Savings certificates	8,381	10,135	11,577	12,629	13,417
Foreign currency deposits	916	933	1,115	1,083	1,358
Loans	114,526	142,301	188,721	276,508	443,186
Cooperatives	5,502	3,249	1,826	1,028	985
Working capital	5,481	3,243	1,826	1,028	985
Term loans	21	6	0	-	-
Private sector	109,024	139,052	186,895	275,480	442,201
Agriculture	3,504	3,434	3,972	3,207	2,957
Other	105,520	135,618	182,923	272,273	439,244
<i>Of which</i> : Extended by private bank	51,207	71,367	114,732	204,543	372,027
	(Annual percentage change)				
Deposits and savings certificates	32.1	44.9	51.0	54.5	41.8
Demand deposits	41.3	33.7	73.6	69.7	65.8
Time and savings deposits	29.6	51.2	46.6	51.5	33.3
Savings certificates	15.1	20.9	14.2	9.1	6.2
Foreign currency deposits	75.1	1.9	19.5	-2.9	25.4
Loans	48.6	24.3	32.6	46.5	60.3
Cooperatives	-5.4	-40.9	-43.8	-43.7	-4.2
Working capital	-5.5	-40.8	-43.7	-43.7	-4.2
Term loans	5.0	-71.4	-	-	-
Private sector	53.0	27.5	34.4	47.4	60.5
Agriculture	-10.6	-2.0	15.7	-19.3	-7.8
Other	56.7	28.5	34.9	48.8	61.3
<i>Of which</i> : Extended by private bank	63.7	39.4	60.8	78.3	81.9
	(Share of total deposits, in percent)				
Deposits and savings certificates	100.0	100.0	100.0	100.0	100.0
Demand deposits	24.4	22.5	25.8	28.4	33.2
Time and savings deposits	69.3	72.3	70.2	68.8	64.7
Savings certificates	5.8	4.8	3.6	2.6	1.9
Foreign currency deposits	0.6	0.4	0.4	0.2	0.2
	(Share of total loans, in percent)				
Loans	100.0	100.0	100.0	100.0	100.0
Cooperatives	4.8	2.3	1.0	0.4	0.2
Working capital	4.8	2.3	1.0	0.4	0.2
Term loans	0.0	0.0	0.0	-	-
Private sector	95.2	97.7	99.0	99.6	99.8
Agriculture	3.1	2.4	2.1	1.2	0.7
Other	92.1	95.3	96.9	98.5	99.1
<i>Of which</i> : Extended by private banks	44.7	50.2	60.8	74.0	83.9

Source: Central Bank of Myanmar.

Table 27. Myanmar: Selected Interest Rates, 1997–2002

	1997	1998	1999	2000	2001				2002
			March		March	June	Sept.	Dec.	March
CPI inflation (period average)	20.0	33.9	49.1	10.9	-1.7	0.4	-2.1	10.0	34.5
Central bank rediscount rate	15.0 1/	15.0	15.0	12.0 7/	10.0 9/	10.0	10.0	10.0	10.0
Treasury bills and bonds									
Three-month treasury bills	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Three-year treasury bonds	13.5 1/	13.5	13.5	10.5 7/	8.5 9/	8.5	8.5	8.5	8.5
Five-year treasury bonds	14.0 1/	14.0	14.0	11.0 7/	9.0 9/	9.0	9.0	9.0	9.0
Deposit rates (minimum rates through March 31, 1999; maximum rates thereafter)									
Call deposits	6.0	6.0	6.0	5.0 8/	4.0 9/	4.0	4.0	4.0	4.0
Fixed-term deposits									
Three months	12.0 1/	12.0	12.0	10.0 7/	9.25 9/	9.25	9.25	9.25	9.25
Six months	12.5 1/	12.5	12.5	10.5 7/	9.5 9/	9.5	9.5	9.5	9.5
Nine months	13.0 1/	13.0	13.0	11.0 7/	9.75 9/	9.75	9.75	9.75	9.75
Savings bank accounts (passbook)									
Basic rate	12.0 1/	12.0	12.0	10.0 7/	9.0 9/	9.0	9.0	9.0	9.0
Savings certificates (maximum rate)									
Twelve-month (max 12-year rollover)	15.0 1/	15.0	15.0	12.0 7/	10.0 9/	10.0	10.0	10.0	10.0
Lending rates (maximum rates)									
Cooperatives									
Working capital loans 2/	16.5	16.5	16.5	17.0 7/	15.0 9/	15.0	15.0	15.0	15.0
Term loans	15.0	15.0	15.0	15.0 7/	- 9/	-	-	-	-
Private sector									
Agriculture									
To village banks 3/	13.0	13.0	13.0	...	...	...	...	...	...
To farmers 4/	18.0	18.0	18.0	17.0 7/	15.0 9/	15.0	15.0	15.0	15.0
House repair and other loans 5/	15.0	15.0	15.0	...	...	...	...	...	...
Small personal loans	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Overdraft loans 6/	18.5 1/	18.5	18.5	16.0 7/	15.0 9/	15.0	15.0	15.0	15.0
Working capital loans (state banks) 6/	18.0 1/	18.0	18.0	17.0 7/	15.0 9/	15.0	15.0	15.0	15.0
Working capital loans (private banks) 6/	...	21.0	21.0	17.0 7/	15.0 9/	15.0	15.0	15.0	15.0
Term loans 6/	16.5 1/	16.5	16.5	14.5 7/	14.0 9/	14.0	14.0	14.0	14.0

Source: Central Bank of Myanmar.

1/ Effective from April 1, 1996.

2/ Overdrafts are charged an additional 0.5 percent.

3/ Lending rate of the Myanmar Agricultural Development Bank.

4/ Relending rate of village banks.

5/ For government employees, the rate is generally reduced to 5 percent; further, a special program of interest-free housing loans for civil servants was in place during 1990-93.

6/ For financing of domestic and foreign trade of joint ventures and private entrepreneurs.

7/ Effective from April 1, 1999.

8/ Effective from June 1, 1999.

9/ Effective from April 1, 2000; an asterisk indicates 13 percent for special projects.

Table 28. Myanmar: Government Treasury Bonds, 1993/94-2001/02

(In millions of kyats)

	3-year bonds			5-year bonds		
	Sales	Redemptions	Outstanding	Sales	Redemptions	Outstanding
1993/94	36.01	0.00	36.01	6.81	0.00	6.81
1994/95	46.97	0.00	82.98	7.33	0.00	14.14
1995/96	824.69	0.00	907.67	48.65	0.00	62.79
1996/97	1,898.45	35.06	2,771.06	492.06	0.00	554.85
1997/98	2,423.09	47.21	5,146.94	1,787.26	0.00	2,342.11
1998/99	10,684.19	821.17	15,009.96	14,969.55	6.81	17,304.85
1999/00	5,340.34	1,898.36	18,451.94	36,254.70	7.33	53,552.22
2000/01	15,735.74	2,425.30	31,754.39	44,559.91	48.64	98,670.07
2001/02	6,512.54	10,678.20	27,588.73	6,151.72	492.04	104,329.75

Source: Central Bank of Myanmar.

Table 29. Myanmar: Banking System Loans by Sector, 1998–2002 1/

	1998	1999	2000	2001	2002 Prov.
(In millions of kyats, end-March)					
Commodity producing sectors	35,827	47,239	66,146	101,632	142,274
Agriculture	3,782	4,207	6,022	7,076	8,128
Livestock and fishery	1,173	1,083	1,987	3,716	6,516
Forestry	196	583	870	958	1,123
Mining	2,383	2,332	2,680	2,357	1,680
Manufacturing and processing	20,808	28,830	42,747	70,515	100,357
Power	650	651	691	500	500
Construction	6,835	9,554	11,148	16,510	23,970
Services	23,852	29,983	37,359	45,129	72,811
Transportation	3,758	4,406	5,713	10,326	9,638
Communication	2	6	8	7	7
Financial institutions	3,167	1,978	2,236	768	1,561
Social and administrative services 2/	6,059	7,471	9,584	26,116	45,404
Rentals and other services	10,867	16,122	19,818	7,912	16,201
Trade	57,234	65,172	85,153	129,201	228,219
Total	116,913	142,393	188,658	275,962	443,304
(In percent of total)					
Commodity producing sectors	31	33	35	37	32
Agriculture	3	3	3	3	2
Livestock and fishery	1	1	1	1	1
Forestry	0	0	0	0	0
Mining	2	2	1	1	0
Manufacturing and processing	18	20	23	26	23
Power	1	0	0	0	0
Construction	6	7	6	6	5
Services	20	21	20	16	16
Transportation	3	3	3	4	2
Communication	0	0	0	0	0
Financial institutions	3	1	1	0	0
Social and administrative services 2/	5	5	5	9	10
Rentals and other services	9	11	11	3	4
Trade	49	46	45	47	51
Total	100	100	100	100	100

Source: Central Bank of Myanmar.

1/ Includes loans extended by Myanmar Economic Bank, Myanmar Investment and Commercial Bank, Myanmar Agricultural Development Bank, and private commercial banks (Myanmar Foreign Trade Bank does not extend loans).

2/ Includes housing loans.

Table 30. Myanmar: Domestic Private Banks Loans by Sector, 1998–2002

	1998	1999	2000	2001	2002 Prov.
(In millions of kyats, end-March)					
Commodity producing sectors	14,380	22,854	41,029	77,930	115,228
Agriculture	271	773	2,050	3,869	4,728
Livestock and fishery	658	573	1,473	3,184	5,996
Forestry	196	350	637	725	718
Mining	2,377	2,326	2,672	2,348	1,671
Manufacturing and processing	7,125	13,192	27,086	55,038	85,313
Power	0	1	41	-	-
Construction	3,753	5,639	7,070	12,766	16,802
Services	12,134	16,732	23,844	30,463	57,288
Transportation	2,166	2,675	3,915	5,534	8,217
Communication	2	6	8	7	7
Financial institutions	14	190	194	33	132
Social and administrative services 1/	1,318	4,042	6,019	17,923	37,836
Rentals and other services	8,634	9,819	13,708	6,966	11,096
Trade	19,268	26,698	45,163	84,662	177,337
Other	5,380	5,084	4,696	10,416	18,426
Total	51,162	71,368	114,732	203,471	368,279
(In percent of total)					
Commodity producing sectors	28	32	36	38	31
Agriculture	1	1	2	2	1
Livestock and fishery	1	1	1	2	2
Forestry	0	0	1	0	0
Mining	5	3	2	1	0
Manufacturing and processing	14	18	24	27	23
Power	0	0	0	-	-
Construction	7	8	6	6	5
Services	24	23	21	15	16
Transportation	4	4	3	3	2
Communication	0	0	0	0	0
Financial institutions	0	0	0	0	0
Social and administrative services 1/	3	6	5	9	10
Rentals and other services	17	14	12	3	3
Trade	38	37	39	42	48
Total	100	100	100	100	100

Source: Central Bank of Myanmar.

1/ Includes housing loans.

Table 31. Myanmar: Balance of Payments, 1997/98-2001/02
(In millions of US dollars)

	1997/98	1998/99	1999/00	2000/01	2001/02 Prov.
Trade balance	-1,298	-1,588	-1,252	124	-443
Exports, <i>mainly f.o.b.</i>	1,011	1,113	1,353	2,443	2,293
Imports, <i>mainly c.i.f.</i>	-2,309	-2,702	-2,605	-2,319	-2,736
Services, net	-17	70	118	-181	-307
Receipts	554	678	573	510	463
Payments	-571	-608	-455	-691	-769
<i>of which: interest due</i>	-65	-104	-99	-79	-71
Private transfers, net	465	490	316	203	209
Current account, excl. grants	-850	-1,029	-818	146	-541
Official grants	259	91	35	37	74
Financial account	375	567	36	-97	-15
Long-term, net	-44	-23	-265	-303	-198
Disbursements	171	321	80	17	82
Repayments due	-215	-343	-345	-320	-280
Foreign Direct Investment	421	592	304	208	186
Other capital, net	-2	-3	-3	-2	-2
Errors and omissions, net	85	95	361	-340	500
Overall balance	-132	-275	-386	-254	18
Financing	132	275	386	254	-18
Net International Reserves (- increase)	-43	-64	52	78	-57
Gross reserves (- increase)	-44	-64	52	75	-255
Short-term liabilities	0	0	0	3	199
Net increase in arrears	175	339	334	176	39
Memorandum items:					
Gross reserves, end-period	331	395	343	269	524
(in months of imports)	1.7	1.8	1.6	1.4	2.3
Net Reserves, end-period	232	296	244	167	223
Total external debt	5,257	5,666	6,038	5,936	6,042
Ratio of external debt to exports of goods and non-factor services	3.4	3.2	3.2	2.0	2.2
External debt arrears 1/	1,636	1,975	2,309	2,486	2,525

Sources: Data provided by the Myanmar authorities; and staff estimates and projections.

1/ Includes valuation adjustments.

Table 32. Merchandise Exports, 1997/98-2001/02
(Values in millions of U.S. dollars; volumes in
thousand metric tons unless otherwise noted)

	1997/98	1998/99	1999/2000	2000/01	2001/02 Prov.
Total Exports, mainly f.o.b.	1010.8	1113.1	1353.4	2442.9	2293.1
Rice and rice products	6.1	26.7	10.4	34.6	112.2
Unit value	210.7	202.5	165.2	136.2	124.9
Volume	28.3	120.4	54.9	251.4	939.1
Teak	112.1	102.5	116.4	100.2	211.6
Unit value	918.7	708.5	787.7	765.6	665.9
Volume (000 cubic tons)	138.0	172.2	234.0	218.2	200.4
Base metals and ores	4.8	11.8	46.2	49.9	42.7
Unit value	184.6	1439.0	1379.1	1352.3	1024.0
Volume	26.0	8.2	33.5	36.9	41.7
Pulses and beans	225.5	181.8	188.9	255.3	281.9
Unit value	293.3	292.5	336.8	307.1	272.4
Volume	768.9	621.5	560.9	831.3	1034.8
Fish and fish products	48.5	52.5	37.1	44.9	46.1
Unit value	1177.2	1126.6	1181.5	914.5	644.8
Volume	41.2	46.6	31.4	49.1	71.5
Hardwood	24.9	23.8	31.7	23.4	68.1
Unit value	148.9	114.8	127.7	124.1	107.9
Volume (000 cubic tons)	153.9	242.7	335.3	329.4	285.6
Rubber	21.5	16.1	12.1	10.3	11.2
Unit value	806.4	598.3	555.1	571.4	531.0
Volume (000 tons)	21.7	29.7	29.2	20.1	24.9
Animal feedstuffs	0.4	0.8	0.4	0.0	...
Unit value	54.8	89.9	36.0	0.0	...
Volume	7.3	8.9	11.1	0.4	...
Gas	...	0.8	4.9	775.6	704.4
Unit value	...	0.8	0.9	1.2	0.9
Volume (million cu ft)	...	954	6,527	65,359	237,081
Garments	70.1	75.5	436.0	582.8	443.9
Unit value	1.0	1.8	2.5	1.7	0.5
Volume	44,803	59,969	140,073	271,400	237,405
Other	522.1	589.3	549.1	688.0	698.0
of which: border trade	252.3	265.7	157.0	208.7	290.5
Adjustments 1/	-25.20	31.50	-79.80	-122.10	-327.00

Sources: Data provided by the Myanmar authorities; and staff estimates and projections

1/ Adjustments for garment cutting, making and processing charges

Table 33. Myanmar: Imports by Major Categories, 1997/98–2001/02
(In millions of U.S. dollars)

	1997/98	1998/99	1999/00	2000/01	2001/02 Prov.
Imports (mainly c.i.f., customs basis)	2,308.7	2,701.5	2,605.4	2,319.1	2,735.6
Capital goods	991.9	1,178.2	854.6	624.4	828.0
Construction materials	281.1	352.2	271.3	190.4	168.1
Machinery	407.6	465.8	357.0	299.6	391.3
Transportation	247.9	327.1	193.7	105.0	238.8
Other	55.3	33.1	32.6	29.4	29.8
Intermediate goods	538.4	667.9	822.1	703.5	1,102.6
Raw materials	456.3	522.5	683.5	587.7	1,003.6
Tools and spare parts	81.7	144.8	138.1	115.5	98.8
Fuels	0.4	0.6	0.5	0.3	0.2
Consumer goods	778.4	855.4	928.7	991.2	805.0
Food	243.2	168.5	151.6	128.4	122.3
Durable goods	99.0	150.5	177.2	152.0	116.5
Textiles	119.2	214.1	256.8	387.4	326.0
Medicines	29.9	38.4	48.4	63.5	59.7
Other	287.1	283.9	294.7	259.9	180.5
(In percent of total)					
Memorandum items:					
Capital goods	43.0	43.6	32.8	26.9	30.3
Intermediate goods	23.3	24.7	31.6	30.3	40.3
Consumer goods	33.7	31.7	35.6	42.7	29.4

Sources: Date provided by the Myanmar authorities, and Fund staff estimates.

Table 34. Myanmar: Trade Indices, 1997/98–2001/02

	1997/98	1998/99	1999/00	2000/01	2001/02 Prov.
(1995/96=100)					
Exports					
Value	112.9	124.4	151.2	272.9	256.2
Unit value	76.0	91.8	115.5	117.5	81.0
Volume	148.5	135.5	131.0	232.3	316.5
Imports					
Value	122.5	143.3	138.2	123.0	145.1
Unit value 1/	87.8	81.7	84.3	83.5	79.9
Volume	139.5	175.5	163.9	147.4	181.7
Terms of trade	86.6	112.4	136.9	140.8	101.4
(In percent change)					
Exports					
Value	8.7	10.1	21.6	80.5	-6.1
Unit value	-14.9	20.7	25.8	1.8	-31.1
Volume	27.7	-8.8	-3.3	77.4	36.2
Imports					
Value	18.6	17.0	-3.6	-11.0	18.0
Unit value 1/	-8.1	-7.0	3.2	-1.0	-4.3
Volume	29.1	25.8	-6.6	-10.1	23.3
Terms of trade	-7.4	29.8	21.8	2.8	-28.0

Source: Data provided by the Myanmar authorities, and staff estimates.

1/ Based on export unit value indices of trading partners.

Table 35. Myanmar: Direction of Trade, 1997/98–2001/02
(In percent of total exports and imports)

	1997/98		1998/99		1999/00		2000/01		2001/02	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
	(Provisional)									
Industrial countries	14.2	22.9	16.5	18.9	17.5	18.9	19.3	16.4	22.4	20.9
European Community	6.7	3.6	7.7	2.6	5.6	2.9	5.3	4.9	7.8	3.9
Of which :										
Germany	1.0	1.1	0.8	0.5	0.2	0.9	0.1	1.0	0.0	1.1
United Kingdom	1.5	0.6	1.2	0.6	1.0	0.3	1.3	0.6	1.9	0.7
Japan	3.7	15.2	4.4	12.8	4.1	11.1	3.2	8.7	2.5	13.0
United States	3.4	2.3	3.3	1.3	6.3	3.6	9.4	1.0	10.5	1.2
Korea	0.9	5.5	1.8	5.2	1.0	9.2	0.8	12.4	0.9	12.3
Other	0.4	1.8	1.1	2.2	1.5	1.3	1.4	1.8	1.5	2.8
Developing Countries										
Asia (excluding Japan)	79.5	76.3	77.3	81.0	55.4	80.2	68.2	80.9	74.9	77.5
China	13.0	10.6	8.5	10.3	9.5	9.6	6.7	12.3	8.7	11.3
Hong Kong SAR	5.6	2.6	5.2	3.3	4.8	3.5	3.2	5.6	2.1	2.8
Indonesia	1.8	4.7	3.0	7.5	2.1	4.0	1.3	3.6	1.9	3.1
India	22.1	4.5	15.4	2.6	15.0	2.8	10.1	3.6	13.2	3.0
Malaysia	2.6	6.9	3.7	7.1	3.7	7.5	2.8	5.3	4.4	13.2
Singapore	12.9	30.9	10.4	30.8	9.1	28.0	4.4	24.2	6.2	21.3
Thailand	11.2	9.2	8.4	12.2	6.2	13.3	35.6	13.1	33.7	9.8
Other	9.4	1.4	20.9	2.0	4.0	2.3	3.4	0.8	3.8	0.7
Africa and Middle East	1.0	0.6	1.6	0.0	1.1	0.4	0.6	0.6	2.3	0.5
Other	5.3	0.2	4.6	0.1	26.0	0.5	11.9	2.1	0.4	1.1
Memorandum item:										
Asia (including Japan)	83.2	91.5	81.7	93.8	59.5	91.3	46.6	89.6	74.1	90.5

Source: Myanmar authorities and staff estimates.

Table 36. Myanmar: Border Trade Flows, 1997/98–2001/02
(In millions of U.S. dollars)

	1997/98	1998/99	1999/00	2000/01	2001/02 Prov.
Total flows					
Exports	252.3	265.7	157.0	208.7	290.5
Imports	250.3	242.0	220.7	190.6	217.5
China					
Exports	119.8	60.8	108.9	144.6	181.3
Imports	152.2	127.4	106.6	102.3	155.4
Thailand					
Exports	53.0	17.0	3.8	28.2	66.8
Imports	77.7	108.2	105.0	82.7	56.1
India					
Exports	11.5	1.7	13.6	14.1	10.8
Imports	18.3	5.9	8.9	5.5	5.9
Bangladesh					
Exports	68.0	186.2	30.7	21.8	31.6
Imports	2.1	0.5	0.2	0.1	0.1

Source: Data provided by the Myanmar authorities.

Table 37. Myanmar: Exports and Imports by Sector, 1997/98–2001/02
(In percent of total)

	1997/98	1998/99	1999/00	2000/01	2001/02 Prov.
Imports	100	100	100	100	100
Private sector	71	67	70	80	65
Cooperative sector	0	0	0	0	0
Public sector	29	33	30	20	35
Exports	100	100	100	100	100
Private sector	74	69	77	53	50
Cooperative sector	2	2	1	1	1
Public sector	24	29	22	47	49

Source: Data provided by the Myanmar authorities.

Table 38. Myanmar: Services Account, 1997/98–2001/02
(In millions of U.S. dollars)

	1997/98	1998/99	1999/00	2000/01	2001/02
Receipts	554.3	677.9	573.0	510.0	462.5
Nonfactor services	546.5	663.2	532.3	471.1	428.5
Transportation and insurance	9.1	17.2	83.3	43.0	59.4
Travel	176.5	224.6	180.6	139.6	137.8
Government services	14.4	14.8	16.9	19.3	19.2
Other	346.5	406.6	251.5	269.2	212.1
Factor services					
Investment income	7.8	14.7	40.7	38.9	34.0
Payments	571.3	608.4	455.0	691.0	768.7
Nonfactor services	506.5	504.3	312.4	445.8	583.7
Transportation and insurance	154.7	311.2	246.3	245.1	220.5
Travel	38.5	26.6	21.6	24.8	27.6
Government services	15.9	15.8	14.1	19.2	15.7
Other	297.4	150.7	30.4	156.7	319.9
Factor services due	64.8	104.1	142.6	245.2	185.0
<i>Of which:</i> Interest paid	23.1	15.2	22.8	66.7	70.0
Net receipts	-17.0	69.5	118.0	-181.0	-306.2
Private transfers, net	464.8	490.3	315.7	203.3	208.7

Source: Myanmar authorities and staff estimates.

Table 39. Myanmar: Approved and Actual Foreign Direct Investment Inflows, 1997/98–2001/02

(In millions of U.S. dollars)

	1997/98		1998/99		1999/00		2000/01		2001/02	
	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/ 3/
Solely foreign-owned venture	518.7	220.5	32.4	126.5	34.13	57.1	105.4	143.3	15.8	59.0
Joint venture	316.3	290.3	22.0	204.8	2.72	117.1	48.16	63.7	...	15.2
Other	177.9	368.0	0.0	352.3	21.25	130.0	64.09	1.0	3.3	48.8
Total	1,012.9	878.8	54.4	683.6	58.1	304.2	217.7	208.0	19.0	123.0

Source: Data provided by the Myanmar authorities.

1/ Projects approved by the Myanmar Investment Commission under the provisions of the 1988 Foreign Investment Law.

2/ Investment actually disbursed on projects approved under the Foreign Investment Law. Foreign direct investment on projects not approved under the Law is excluded from this table, but is included in the authorities' balance of payment accounts.

3/ April 2001 to September 2001.

Table 40. Myanmar: Foreign Direct Investment by Country, 1997/98–2001/02

(In millions of U.S. dollars)

	1997/98		1998/99		1999/00		2000/01		2001/02	
	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/
Australia	42.00	0.40	0.00	0.30	0.00	1.30	0.00	1.91	0.00	0.81
Austria	0.00	0.80	0.00	0.20	0.00	0.00	0.00	0.00	0.00	0.00
Bangladesh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	5.30	1.50	0.00	3.90	0.00	0.40	21.95	1.06	0.00	0.35
Cyprus	0.00	0.00	0.00	0.00	5.30	0.00	2.03	0.00	0.00	0.00
China	0.50	0.40	2.70	2.60	0.00	0.03	28.98	0.00	3.25	0.29
Denmark	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
France	0.00	201.70	0.00	90.00	0.00	33.00	0.00	20.75	0.00	11.35
Germany	0.00	0.20	0.00	1.50	0.00	7.00	0.00	0.00	0.00	0.00
Hong Kong SAR	56.90	4.70	8.00	10.70	5.70	13.80	11.20	4.48	1.52	3.01
India	0.00	0.00	4.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Indonesia	25.40	7.00	1.10	4.80	1.40	1.00	1.20	7.51	1.50	0.52
Israel	2.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan	26.90	18.90	8.90	33.50	5.10	18.80	0.00	16.30	4.69	6.95
Republic of Korea	29.70	6.50	0.20	17.10	4.30	8.80	47.22	4.48	5.00	3.11
Macau	0.00	0.00	0.00	0.00	0.00	0.00	2.00	0.27	0.00	0.65
Malaysia	124.80	5.10	0.00	12.00	0.00	15.50	9.83	5.91	1.50	0.00
The Netherlands	0.00	1.20	1.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00
Panama	30.50	0.00	-1.40	8.50	0.00	2.50	0.00	0.00	0.00	0.00
The Philippines	140.00	0.10	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00
Singapore	270.60	279.10	14.20	79.10	4.70	14.90	36.92	57.61	0.00	49.93
Sri Lanka	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Thailand	210.40	32.00	10.80	58.00	16.50	9.60	25.75	3.00	0.00	1.90
United Kingdom	47.50	288.60	4.40	203.10	15.10	176.10	30.61	48.29	1.55	16.98
United States	0.00	30.60	0.00	158.30	0.00	0.80	0.00	36.43	0.00	27.11
Total	1,012.90	878.80	54.40	683.60	58.10	304.23	217.69	208.00	19.01	122.96

Source: Data provided by the Myanmar authorities.

1/ Projects approved by the Myanmar Investment Commission under the provisions of the 1988 Foreign Investment Law.

2/ Investment actually disbursed on projects approved under the Foreign Investment Law. Foreign direct investment on projects not approved under the Law from this table, but is included in the authorities' balance of payment accounts.

Table 41. Myanmar: External Medium- and Long-Term Public Debt,
and Debt Service Payments, 1997/98–2001/02 1/

(In millions of U.S dollars)

	1997/98	1998/99	1999/00	2000/01	2001/02
Total debt outstanding (end of period)	5,257	5,667	6,038	5,936	6,042
Concessional loans	3,988	4,159	4,391	4,404	4,125
Bilateral	2,903	3,063	3,300	3,341	3,062
<i>Of which:</i>					
Japan	2,192	2,306	2,607	2,576	2,305
Germany	460	483	399	337	349
Multilateral	1,086	1,096	1,091	1,063	1,064
<i>Of which:</i>					
IDA	732	742	742	719	719
AsDB	327	328	328	325	325
Suppliers' credit	367	468	487	427	522
Commercial banks	414	463	507	437	527
Short-term 2/	488	577	653	668	868
Debt service payments (cash basis) 3/	105	108	109	223	312
Amortization	82	93	86	156	242
Interest	23	15	23	67	70
Debt service payments (due) 3/	280	447	443	399	351
Amortization	215	343	345	320	280
Interest	65	104	99	79	71
Total debt outstanding/exports of goods and nonfactor services	3.4	3.2	3.2	2.0	2.2

Sources: Data provided by the Myanmar authorities, and Fund staff estimates.

1/ Data on debt-service payments may differ from those implied by commitments and arrears data in the balance of payments.

2/ Includes interest arrears and some principal arrears.

3/ Medium- and long-term debt, including Trust Fund loans and excluding arrears on principal repayments.

Table 42. Myanmar: External Arrears Stock, 1997/98–2001/02 1/ 2/

(In millions of U.S. dollars)

	1997/98	1998/99	1999/00	2000/01	2001/02
Total 3/	1,636	1,975	2,309	2,486	2,525
Principal	1,247	1,498	1,756	1,920	1,958
Interest	389	477	553	566	567
Bilateral 2/	1,143	1,404	1,708	1,848	1,853
Principal	887	1,085	1,325	1,468	1,477
Interest	256	319	383	380	376
Private creditors 2/	479	522	514	509	502
Principal	350	379	372	364	362
Interest	129	142	141	145	140

Sources: Data provided by the Myanmar authorities; and Fund staff estimates.

1/ End of period. Includes valuation adjustments.

2/ Stock figures and flow figures derived from the balance of payments may not be consistent, owing mainly to lags in recording payments and valuation adjustments.

3/ Includes multilaterals.

Table 43. Myanmar: International Reserves, 1997/98–2001/02

(In millions of U.S. dollars)

	1997/98	1998/99	1999/00	2000/01	2001/02
Net international reserves	231.7	295.7	244.1	166.6	223.4
Assets	331.3	395.1	343.4	268.7	524.0
Gold	69.9	64.6	64.0	60.2	70.1
SDRs	0.1	0.7	0.3	0.1	0.3
IMF position	0.0	0.0	0.0	0.0	0.0
Foreign exchange	261.3	329.8	279.1	208.4	453.6
Liabilities	99.6	99.4	99.3	102.1	300.6

(In months of imports)

Memorandum items:

Gross reserves	1.7	1.8	1.6	1.4	2.3
Net reserves	1.2	1.3	1.1	0.9	1.0

Source: Central Bank of Myanmar.