The Irrawaddy

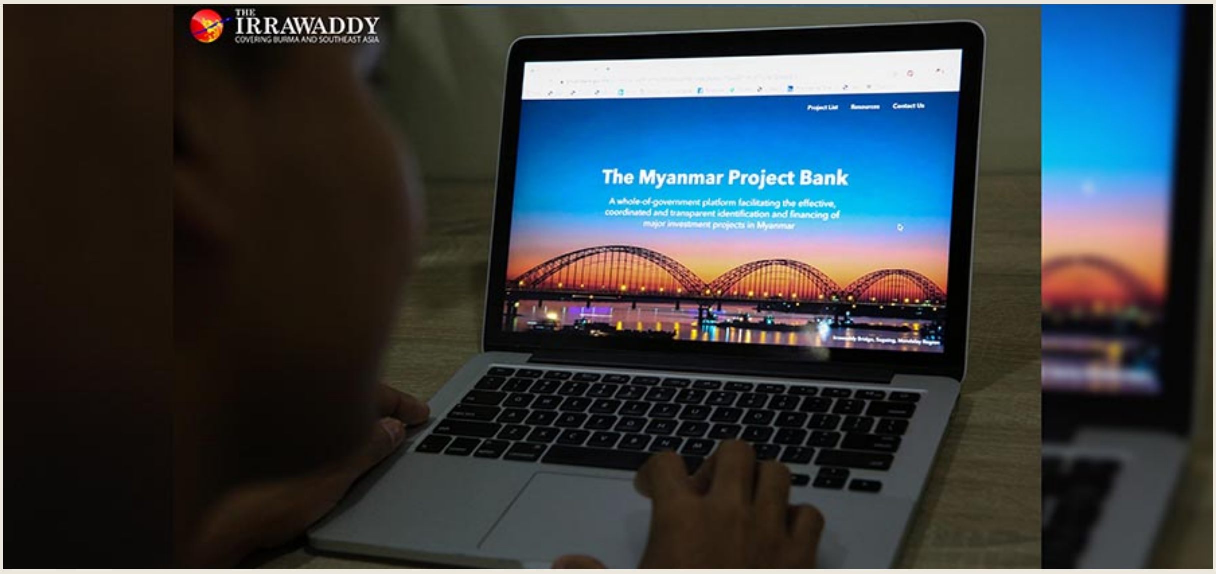
Myanmar’s Economic Year in Review

Myanmar's business hub, Yangon. / Htet Wai / The Irrawaddy

By **NAN LWIN** 25 December 2020

YANGON—The Myanmar government began 2020 with high expectations that it would be the year the economic liberalization and reforms it introduced during the previous four years would begin to bear fruit. However, the COVID-19 pandemic upended its plans, slowing Myanmar’s economic growth to 1.7 percent in fiscal 2019-20 from 6.8 percent in 2018-19, not only hammering small and medium-sized enterprises (SMEs) and the tourism and garment/textile sectors, but also delaying important economic events and activities needed to spur foreign direct investment (FDI).

Despite the COVID-19 crisis, however, Myanmar still managed to achieve 98 percent of its foreign investment target for 2020. The government held virtual events, launched online platforms and implemented policy changes to encourage investors and ease the economic blow from the virus. Moreover, it launched a short-term recovery plan to save the economy. A medium- to long-term economic resilience plan is also being drafted to repair the economic damage caused by the pandemic. Below, The Irrawaddy looks back at the biggest issues affecting the country’s economic reforms during a very tough year.



A user accesses the Myanmar Project Bank website. / Myo Min Soe / The Irrawaddy

Myanmar Project Bank launched

The government launched its first ever publicly accessible online platform in February to provide information on major investment projects that fall under the country's sustainable development plan.

It provides key data such as project descriptions, status, total project cost, financing plans, project timelines, the implementing government agency, project contact details and how each project aligns with the Myanmar Sustainable Development Plan (MSDP).

The data bank is designed to facilitate public-private partnerships and create opportunities for the private sector to invest in national development objectives, while also helping to identify, screen, appraise and prioritize investment projects based on social, environmental, economic and risk indicators.

A woman works at a textile factory in Yangon's Shwephyithar Industrial Zone in May 2020. / Htet Wai / The Irrawaddy

Early stimulus package

Myanmar prepared an initial stimulus package to cushion the impact of COVID-19 on the economy even before the country reported its first case of the disease.

The package included 100 billion kyats (about US$74.8 million) worth of loans to assist CMP (garment and manufacturing) and hotel and tourism businesses, as well as small and medium-sized enterprises owned by local businesspeople. It also eased deadlines for tax payments, and provided tax exemptions for Myanmar-owned businesses hit by the global pandemic.

The interest rate on loans provided by the fund is only 1 percent with a loan period of one year.

Economic Relief Plan

Myanmar launched its COVID-19 Economic Relief Plan (CERP) in April. The plan was designed to mitigate the economic impact of the global pandemic by implementing new measures and response plans ranging from monetary reforms and increasing government spending to strengthening the health-care system.

CERP focuses on improving the microeconomic environment through monetary stimulus; easing the impact on the private sector through improvements to the investment, trade and banking sectors; assisting laborers, workers and households; promoting innovative products and platforms; strengthening the health-care system; and increasing access to COVID-19 response financing, including contingency funds.

Its priority measures include expediting and facilitating imports of medical-related products for COVID-19 prevention, control and treatment; and waiving import licensing and FDA requirements, as long as the products are FDA-approved in another country.

It also included plans to upgrade existing laboratories, hospitals and health-care centers in order of priority as practically as possible, and recruit and enhance the skills of doctors, nurses, medical staff, health-care workers and volunteers—who would be engaged on an emergency, short-term basis—before the end of 2020.

Updated rules for investment proposals

Myanmar’s Ministry of Planning, Finance and Industry (MOPFI) set out rules for investors looking to submit unsolicited proposals worth more than 2 billion kyats as part of the country’s efforts to boost transparency and avoid commercially unviable projects.

The MOPFI said investors must provide documents including financial statements establishing their financial capability, a track record of their work experience, and related information to the relevant government departments.

If a proposal is found to have potential benefit to the country, and the company has strong corporate data and solid work experience, a “Swiss Challenge” tender process will be launched, the ministry said.

Companies with good reputations and international experience in the proposed project area may qualify for an exemption from the tender process, in which case they will be able to negotiate directly with the relevant government department. However, they must obtain approval from the Union government in accordance with official procedures.

Deal to boost EU investment

Despite the COVID-19 crisis, Myanmar's investment agency, the Directorate of Investment and Company Administration (DICA), signed a memorandum of understanding (MoU) with the European Chamber of Commerce (EuroCham) to attract more investment from the European Union.

Under the MoU, DICA and EuroCham agreed to hold meetings, forums and summits to promote investment. DICA will also cohost the annual Myanmar-EU Economic Forum launched by EuroCham.

The EU's total investment in Myanmar reached nearly $7 billion last year, accounting for 8.6 percent of FDI, according to the DICA.

Myanmar State Counselor Daw Aung San Suu Kyi gives a televised speech in Naypyitaw, the capital of Myanmar. / Myanmar State Counselor

2020 FDI target 98% secured

Delivering some good news amid Myanmar's struggle to rein in COVID-19, State Counselor Daw Aung San Suu Kyi announced that the country had secured 98 percent of its foreign investment target for this year, adding that the result can be considered a success given the economic disruptions caused by the pandemic.

Under the Myanmar Investment Promotion Plan (MIPP), the government set a target to attract $5.8 billion in fiscal year 2019-20, which ended on Sept. 30. It received nearly $5.7 billion—around $110 million short of its target.

However, the amount represents an increase of more than $1 billion compared to the same period last year, according to the Ministry of Investment and Foreign Economic Relations (MIFER). It translates into an average of $500 million per month in FDI during FY2019-20, despite the coronavirus epidemic, which first hit the country in March.

Myanmar State Counselor Daw Aung San Suu Kyi witnesses the virtual signing ceremony for the RCEP in Naypyitaw in November. / MIFER

Myanmar joins RCEP trade agreement

In November, Myanmar joined China, Japan and 12 other nations in forming the world's largest free trade zone, hoping the deal will enhance trade by drawing investment to the region, expand local SMEs' access to global manufacturing networks and support the country's post-COVID-19 economic recovery.

Under Regional Comprehensive Economic Partnership (RCEP) agreements, the signatories agreed to give special privileges to the group's least developed countries, including Myanmar. Under the agreement's provisions on tariff elimination, RCEP member states are required to abolish tariffs on 65 percent of trade in goods tariffs between signatories once the accord takes effect. However, Myanmar, Cambodia and Laos are only required to eliminate tariffs on 30 percent of trade in goods due to their development status.

Furthermore, the signatories also agreed to eliminate tariffs on 80 percent of trade in goods between them within 10 years of the accord coming into effect, but Myanmar and the other two nations will have 15 years. Under the agreement on e-commerce, intellectual property and competition policy, the nations agreed that the transition period for Myanmar should be from a minimum of three years to a maximum of 10 years. It also gives Myanmar a transition period of up to 15 years for the trade sector.

In the government procurement section, Myanmar will be exempt from the contractual obligations and will only need to abide by an agreement to cooperate on transparency between member countries.

State Counselor Daw Aung San Suu Kyi said she strongly believes that as a member of the RCEP, Myanmar will be able to strengthen its private sector, the driving force of the economy.

Japan fully commits to Dawei SEZ

Japanese Ambassador to Myanmar Ichiro Maruyama announced his country's plans to invest in the full-phase implementation of the long-delayed Dawei Special Economic Zone (SEZ) in southern Myanmar.

The $8-billion project is set to be Southeast Asia's largest industrial complex and Japan has already proposed to carry out a strategic environmental assessment (SEA). The SEZ is on the Andaman Sea and will be linked to the Gulf of Thailand by road across the Thai border. It could potentially connect the Indian and Pacific oceans, Southeast Asia and South Asia and beyond. The SEZ could also play a vital role in Japan's Mekong Southern Economic Corridor, which aims to connect Vietnam, Cambodia and Thailand to southern Myanmar.

The long-delayed project is one of the National League for Democracy's priorities after it repeatedly sought Japanese governmental involvement to counter an expected rise in China's influence in the Indian Ocean due to its investment in the Kyaukphyu SEZ in Rakhine State.

Japan had previously intended to focus on the expansion of the Thilawa SEZ in Yangon, which State Counselor Daw Aung San Suu Kyi often mentions as a crowning achievement for the country. However, Myanmar's enthusiasm for the Dawei SEZ persuaded Japan to boost its involvement in the Tanintharyi Region project.

Second investment policy review

Myanmar published its second investment policy review (IPR), which recommends needed policy reforms with the aim of attracting more foreign investment to the country.

Supported by the France-based Organization for Economic Cooperation and Development (OECD), the policy review is intended to help the government improve the country's investment climate by enhancing responsible investment, establishing special economic zones (SEZs), strengthening the implementation of environmental impact assessments and fostering secure and well-defined land rights, among other things.

Among several measures for promoting responsible business, it suggests the government boost transparency in Myanmar's most troubled sector, extractive industries, urging that it start with state-owned enterprises due to their importance to Myanmar's economy.

The policy review also urges Myanmar to ensure that environmental considerations are included in early screening of proposed investments by the Ministry of Investment and Foreign Economic Relations (MIFER), the Ministry of Natural Resources and Environmental Conservation (MONREC) and other relevant ministries.

The review also recommends that the government implement an action plan for improving planning and administration of industrial zones, and ensure that clear rules and requirements for zone allocation, infrastructure provision, business facilitation and environmental protection are embedded in the new Industrial Zone Law.

Mining firms to publish contracts

Myanmar's President instructed the government, state-owned enterprises and private companies involved in the country's extractive sector to publicly disclose all contracts from Jan. 1. The move is part of a collaboration with the Myanmar Extractive Industries Transparency Initiative (MEITI).

The sector includes the extraction of oil, gas, timber and minerals, activities that are dominated by the military, ethnic armed groups, militias and their cronies. The

President's Office instructed that all contracts carried out by the Union, states and regions, government departments, state-owned enterprises and private companies must disclose the full text of any contract, license, concession or other agreement.

Under the new rules, all contracts must be uploaded to the websites of the MEITI, the Ministry of Natural Resources and Environmental Conservation, and the Ministry of Electricity and Energy.

Yangon under stay-at-home orders in April 2020. / Htet Wai / The Irrawaddy

Light at the end of the tunnel

In its latest Economic Monitor report released in December, the World Bank (WB) forecasts that Myanmar's economy will start a slow recovery in March next year.

Economic growth is projected to remain subdued at 2 percent in the current fiscal year 2020-21 due to economic disruptions associated with COVID-19 containment measures imposed in December, the WB said.

However, it projected growth would slowly recover starting from March 2021, provided mobility restrictions are gradually relaxed and cases of local transmission of the virus slow.

Despite the impacts of the pandemic, the outlook for the medium term is positive with growth estimated to recover to 7 percent on average due to public investment, a resurgence in manufacturing, and productivity gains associated with the adoption of digital technology, the bank said.

The WB's economic growth estimate for FY2019-20 was 1.7 percent, down from 6.8 percent the previous year.

The Asian Development Bank's (ADB) latest report forecasts that Myanmar's growth will bounce back to 6 percent in 2021, while projecting Thailand's at 3.5 percent, Cambodia's at 5.9 percent, Indonesia's at 5.3 percent and Laos' at 4.5 percent.