Photo Source: Myanmar Times, 1 April 2020

MYANMAR NATIONAL POLICY BRIEF

CARE FOR THE FUTURE – FINANCE GENDER RESPONSIVE PUBLIC SERVICES!

This summary briefing for Myanmar draws on data and analysis from the global report **Who Cares for the Future: Finance Gender-responsive Public Services** which was published in April 2020 to coincide with the virtual IMF / World Bank Spring Meetings

SUMMARY

The COVID-19 crisis has revealed the extent to which public services have been under-funded for a generation, with women in the poorest communities often having to take the strain and fill the gaps through unpaid care and domestic work. This crisis is however an opportunity for some fundamental changes, with governments looking for structural solutions and new ways forward, in short to build back better. Myanmar is spending 16.8% of its revenue in debt servicing[1]. This must be suspended in the short term (through to end 2021) to allow for a comprehensive response to COVID-19, and then renegotiated in the medium term to ensure that debt repayments do not compromise the spending on public services needed to deliver on the SDGs. To rebuild public finances Myanmar needs to rapidly and fairly expand its domestic tax revenue (from its shockingly low base on 6% of GDP)[2], aiming to increase by at least 5% in 5 years, which would allow a doubling of spending on all public services. Action is also needed to push back on IMF policy advice that has pressurised the government in recent years to freeze public sector wage bills, undermining the capacity to employ more teachers, doctors, nurses, care workers and other essential frontline staff. Internally, public spending on health remains under 4% of Myanmar's Citizen Budget for 2019-2020, while spending on defence exceeds 10%. By taking a combination of actions on tax, debt and austerity the government of Myanmar could transform the quality of all public services and start shaping a sustainable economy that cares for both people and the planet.

INTRODUCTION

On average women spend four hours and 25 minutes daily doing unpaid care and domestic work, in comparison to men's average of just one hour and 23 minutes. Globally this is changing by less than a minute per year. If properly valued this work would constitute at least 9% of global GDP or US$11 trillion.[3]

When women spend several hours a day caring for children, provision of free public schools and early childcare can be transformative. When women are expected to care for the sick and elderly at home, access to health services can reduce the burden. When women spend hours collecting water, access to clean water close to home can transform lives. Indeed, the provision of gender responsive public services is key both to delivering on human rights and the SDGs, and to transforming women's lives. Quality provision of early childcare, public education, health care, water and sanitation, are crucial – alongside investments in energy, agriculture and social protection.

Unfortunately, around the world, different public services have been chronically underfunded for decades, leaving countries unable to deliver on people's rights, way off target for achieving the SDGs and unable to respond as effectively as they could to COVID-19.

1 Table 1, page 32 Who Cares for the Future: Finance Gender-responsive Public Services
2 See https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS
3 https://www.ilo.org/asia/media-centre/news/WCMS_633284/lang--en/index.htm

BEYOND BUDGET SHARES

Those fighting for more funding for public services often fight against each other for a greater share of the budget, for example seeking at least 20% for education or 15% for health, but too often this sets public services against each other. If one public service gains it is at the expense of others. It is time to re-focus attention, encouraging different public services to work together to increase the total budget, addressing the strategic financing issues which affect all of them. At the same time, Myanmar's defence budget remains too high –despite a steady reduction over the past decade –at over 10% in 2019-2020, helping fuel conflict throughout the country. This proportion allocated to the defence budget has consistently been at the detriment of other essential public sectors, with the health budget still under 4% for the 2019-2020 fiscal year[4]. Our evidence and analysis show that action on debt, austerity and tax could deliver system change for all public services in Myanmar. Of course this depends on ensuring that the extra resources are allocated and spent both transparently and effectively, with a strong focus on increasing equity and with clear oversight both from local communities and the national parliament.

ACTION ON DEBT

There is a new debt crisis that is squeezing public spending in low income countries and it is getting worse. ActionAid's new research shows that those countries which spend more than 12% of their budgets on debt servicing are invariably forced to cut their spending on public services. Myanmar is substantially above this threshold, spending 16.8% of its national revenue just on paying back debts.[5]

In the context of COVID, suspension of debt payments is now on the global agenda – but it tends to be too little (not covering all debt) and for too short a time (just to the end of 2020 when it will be needed at least to the end of 2021 leaving time also to establish a restructuring of the debt). For example six EU countries have deferred debt payments worth USD 100 million, but only up to the end of 2020. This is also a small part of the total foreign debt of USD 10 billion Myanmar has, almost half of which is owed to China.

The government of Myanmar should work with other indebted countries to call for more sustained debt cancellation. This needs to go hand in hand with a re-negotiation and re-scheduling of longer-term debt payments – and a commitment to reform debt contracting processes so that all future loans are agreed following a transparent and accountable process.[6] If the government of Myanmar reduced its debt servicing to an acceptable level of 12% of the national budget, this would release $549 million for investment in essential public services[7]. This is the moment for the government of Myanmar to insist on its right to spend the revenue it raises on providing a comprehensive and sustained response to COVID-19 and invest to meet the SDGs, rather than paying old debts.

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4 Myanmar's 2019-2020 Citizen's Budget https://www.mopfi.gov.mm/en/blog/47/143/11070

5 See Table 1 page 32 in the full report of Who Cares for the Future: https://actionaid.org/publications/2020/who-cares-future-finance-gender-responsive-public-services

6 For example Eurodad's 10 principle for sovereign debt resolution: https://eurodad.org/files/pdf/5d91eb4d523cf.pdf .

7 See table 4 page 36 Who Cares for the Future: Finance Gender-responsive Public Services

ACTION ON TAX JUSTICE

Myanmar urgently needs to take bold action on progressive tax reform. Myanmar has one of the lowest tax to GDP ratios in the world, at just 6%. This is just about one third of average for low income countries (just 17% tax to GDP ratios on average, which compares to 34% in OECD countries and over 40% in Scandinavia). In line with most developing countries, taxes in Myanmar are largely regressive, targeting the poor more than the rich.[8] A new report by ActionAid and Oxfam lays out a clear agenda for progressive reform of the tax system in Myanmar. [9] Action is urgently needed to prevent aggressive tax avoidance and evasion by multinational companies and ultra-rich individuals. Strengthening the national revenue authority is crucial – but equally Myanmar needs to promote regional cooperation and add its voice to calls for global action on tax havens and the setting of global tax rules.

ActionAid estimates that countries like Myanmar could expand their tax to GDP ratios by 5% over 5 years, i.e. by 2025. This would raise enough revenue in more than double present spending on education, health, social protection, water and sanitation and all other public services. Myanmar is clearly able to mobilise sufficient resources domestically to guarantee quality universal basic services.

ACTION ON AUSTERITY AND PUBLIC SECTOR WAGES

Our new research in all low-income and many middle-income countries shows that the IMF holds down public spending by imposing unnecessarily low inflation targets (in 80% of countries) and deficit targets (in 96% of countries) and by freezing or cutting of public sector wage bills (in 78% of countries) – so most governments cannot employ more teachers, doctors, nurses or care workers.

In the case of Myanmar, inflation is running at 7.2% and the IMF[10] is putting pressure to reduce this – and yet most independent research suggests that a healthy developing economy can thrive with inflation rates up to 20%. IMF advice in the area of inflation is an extreme, even fundamentalist position that restricts the capacity of the country to spend more on priority services.

Perhaps most worrying IMF advice to Myanmar concerns containment of the public sector wage bill. The government spent 3.9% of GDP on public sector wages and yet IMF advice is to freeze this spending, even though there are many shortages of frontline workers.[11]

It is time for the government of Myanmar to unequivocally reject the ideology of austerity as promoted by the IMF and to pursue alternative macro-economic policies that will allow the country to invest urgently in public sector workers, especially doctors, nurses, teachers and care workers. The COVID-19 crisis must mark a turning point for the country, with a new priority attached to public financing and public services.

8 See Page 68, Who Cares for the Future: https://actionaid.org/sites/default/files/publications/Who%20Cares%20for%20the%20future%20Full%20Report.pdf

9 See Fair Finance: How Tax and Social Spending can support the reduction of poverty and inequality in Myanmar; Oxfam and ActionAid, Myanmar, June 2020,

10 See Table 5, page 53 https://actionaid.org/sites/default/files/publications/Who%20Cares%20for%20the%20future%20Full%20Report.pdf

11 See data tables based on review of IMF documents: https://actionaid.org/sites/default/files/publications/IMF%20documents%20country%20analysis.pdf

MYANMAR'S COVID-19 ECONOMIC RELIEF PLAN

The 'Overcoming as One' CERP[12], launched on the 27th of April 2020, is a stimulus package aiming to mitigate the economic impacts of Covid-19 on Myanmar. It presents a number of opportunities and risks in terms of financing gender responsive public services. Its financing remains unclear, with a likely mix of IMF, World Bank and Asian Development Bank loans, and national budget reallocation. On 26th June, the IMF approved USD 356.5 million in emergency assistant to Myanmar under the Rapid Credit facility and the Rapid Financing Instrument to support to CERP[13]. Up to 10 percent of the 2019/2020 budget expenditure of each ministry will be re-allocated to fight against Covid-19. Cutting funding from key ministries such as Health, Educaion, Labor etc. that are playing a key role fhigting Covid-19 would be counter-productive in the medium to long term. It would be preferable to allocate funding from the defence budget and reduce dependence on foreign creditors.

With an estimated cost of USD 2-3 billion, the CERP has been a strong first step in a country where the welfare state remains extremely weak. However, it is low as a percentage of Myanmar's GFP (less than 3%), partly as a consequence of Myanmar's high inflation rate and negative current account balance. Its implementation so far has also been problematic, and vulnerable, un-documented groups and populations in conflict areas are not being reached by this initiative. The plan has also been criticized as gender-blind, and it is unclear whether women –who are experiencing greater levels of domestic violence and experiencing threats to their economic independence –will be categorised as vulnerable under this initiative. The CERP remains an unprecedented and centralised stimulus effort for Myanmar, and as stated by former presidential adviser and historian Thant Myint U, represents an opportunity to 'create a welfare state that provides for all people equally'.

CONCLUSION

The government of Myanmar, like most governments, has been subject to the loan conditions or coercive policy advice of the IMF for too long. This has limited the potential to explore alternative economic models. Our research shows that the government could achieve a sea change in investment in public services over the next five years. Action on debt alone could release billions of dollars and action on tax could lead to a doubling of revenue for most essential public services. This is the scale of ambition needed to achieve the SDGs, but to pursue such ambitious change means moving away from the IMF's sphere of influence. It means working with other countries to promote alternative economic models. The COVID-19 crisis can and must be the turning point – the moment when Myanmar pursues more expansionary economic policies that can truly deliver the financing to achieve all development goals. All new resources generated must be allocated and spent with a new commitment to transparency and accountability, so they reach the most excluded group and truly transform the country. There are ten years to the SDG deadline of 2030. It is not too late to build a sustainable economy that truly cares for both people and the planet.

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12 Overcoming as one: Covid-19 Economic Relief Plan, https://www.moi.gov.mm/moi:eng/?q=news/28/04/2020/id-21511

13 IMF Covid Policy tracker https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19