

**Briefing Note for Agriculture and Rural Development Sector Working Group
Agricultural Public Expenditures in Myanmar
February 16, 2016**

Summary

- Public expenditures are important for financing public goods (e.g., infrastructure, services, policies, and regulations), thereby creating enabling environment for private sector investments.
- Current levels of agricultural public expenditure are low compared to share of GDP and potential for poverty alleviation.
- There are many ways for the government to increase the effectiveness of current levels of agricultural public expenditure, necessary to effectively absorb a larger budget that can be made available to the sector over the longer term.

Current situation

- In agriculture public investments are especially important during prolonged periods of low food prices. In 2008-2010, when the global food prices were very high, agriculture was attractive for private investments by itself even if public programs were of low quality. However, relatively low food prices, projected globally in the next 10 years, call for high attention to agricultural public expenditures.
- According to the latest MOF data available from 2009/10-2013/14, the agricultural budget comprising the Ministry of Agriculture and Irrigation (MOAI) and the Ministry of Livestock, Fisheries and Rural Development (MLFRD) accounted for less than 1 percent of GDP and 4 percent of the Union budget. Note that the indicated budget does not include the Rural Development Department of the MLFRD.

	2009/10	2010/11	2011/12	2012/13	2013/14
Agricultural budget as % of GDP	0.77	0.79	0.78	0.96	0.86
Agricultural budget as % of total Union budget	5.40	5.05	5.12	4.13	3.54

- Total agricultural budget is very small considering the contribution the agriculture sector makes in GDP. In 2014/15, agriculture sector (crops, livestock and fisheries) produced about 30 percent of GDP compared to less than 1 percent spent on the sector. It is also small compared to many other Asian countries who spend 2-3 percent of GDP on their much smaller agricultural sectors.
- In 2014/15-2015/16, the agricultural budget in Myanmar is likely to have been higher than in 2013/14, when the new foreign loans from the IFAD, ADB, JICA, and the World Bank, mainly for irrigated agriculture, are included. But it is still unlikely to have exceeded 1 percent of GDP by much.
- Agricultural budget share in Myanmar needs to increase. Yet, fiscal space is limited so allocative (are public funds spent on right things?) and implementation (are public funds used well?) efficiency of the existing agricultural budget needs to improve first. Most of the existing programs require universal implementation improvements, including shifting from supply to demand-driven approach (focused on what farmers and other agricultural sector participants need) in the choice of programs and service delivery. The recommendations below focus on the opportunities for selectively improving allocative efficiency of spending.
- Among the two key ministries, the MOAI accounted for 95 percent of total agricultural budget and 99 percent of capital budget in 2013/14. Within the MOAI, almost 70 percent of funds were managed by the Irrigation Department, which also accounted for 87 percent of the ministry's capital budget. Other departments with budget above 5 percent of total budget included AMD, MADB, and DALMS. Key public functions such as research, extension, and education were underfinanced, leading to low farm productivity and profitability across all agricultural products in Myanmar. Most programs have mainly supported rice sector development to date.

- In MLFRD, the Livestock, Feedstuff and Milk Products Enterprise remains the largest recipient of the public funds, accounting for 72 percent of total ministry budget in 2013/14. Livestock and fisheries public programs were severely underfinanced.

	Total budget		Capital budget	
	Av. 2009/10-2012/13	2013/14	Av. 2009/10-2012/13	2013/14
MOAI, million Kyats	343,410	438,704	151,269	232,746
Department of Irrigation (ID)	62.7%	68.5%	88.8%	86.9%
Agricultural Mechanization Department (AMD)	6.1%	5.3%	0.4%	1.1%
Myanma Ag Development Bank (MADB)	6.2%	5.7%		
Water Resource Utilization Department (WRUD)	5.5%	3.3%	6.0%	3.6%
Department of Ag Land Management (DALMS)	3.6%	5.6%		
Department of Agriculture (DOA)	1.4%	4.2%	1.0%	1.0%
Department of Industrial Crops (DIC)	1.3%	3.8%		
DAR+ DOP +Yezin University	2.1%	4.3%		
MLFRD, million Kyats	24,352	23,647	3,133	1,942
Livestock, Feedstuff and Milk Products Enterprise	75.7%	71.6%	55.2%	7.5%
Department of Fisheries (DOF)	8.6%	8.6%	10.7%	5.7%
Livestock Breeding and Vet Department (LBVD)	10.9%	11.9%	28.1%	46.0%
Other departments	4.7%	7.9%	94.0%	38.1%

Recommendations to improve allocation of agriculture public expenditure

- Going forward, the MOAI and MLFRD may receive more funds, but they also need to make internal resource reallocations. The table below provides examples of what these ministries can do less of and can do more of.

To do LESS of	To do MORE of
MOAI	
<ul style="list-style-type: none"> • Construct new dams and irrigation systems • Buy agricultural machinery • Exclusive focus on rice research and extension 	<ul style="list-style-type: none"> • Complete or improve irrigation infrastructure for the existing dams • Rehabilitate existing irrigation systems and where possible upgrade to support crop diversification • Spend more on operation and maintenance of irrigation systems (i.e. reallocate from capital to recurrent expenses) • Support more crop neutral and fiscally sustainable MADB • Increase research expenditures for a diverse range of crops • Invest in early generation seed production by DAR and DOA farms for all major crops, and encourage private sector participation in seed multiplication • Provide larger operational costs and strengthening of the extension services • Upgrade of labs for soil and water tests, fertilizers and chemicals residuals and quality • Refocus the AMD to the service provision in remote areas and vocational training and demonstration • Improve the accuracy and reliability of agricultural statistics
MLFRD	
<ul style="list-style-type: none"> • SOE 	<ul style="list-style-type: none"> • Privatize Livestock, Feedstuff and Milk Products Enterprise