OVERCOMING AS 14:
THE ROLE OF STATE AND REGION GOVERNMENTS IN SUPPORTING MYANMAR'S COVID-19 ECONOMIC RESPONSE PLAN

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1. INTRODUCTION

Around the world, the COVID-19 pandemic has demonstrated the value of effective government intervention. The scale of the economic impact of COVID-19 is unprecedented. Some economies have shrunk by over 10 percent while Myanmar's GDP growth for 2019-20 FY is estimated to drop from the previous estimation at 7 percent to 4.3 percent[1] as *"all sectors are hit"*. Governments from Spain, to Singapore, to South Korea have stepped in with unprecedented interventions to protect citizens from the damaging health and economic effects of the virus. Policies which might have seemed far-fetched less than six months ago, such as social distancing policies and cash transfers, have become widely accepted.

In Myanmar, the recently released *Overcoming as One: COVID-19 Economic Relief Plan (CERP)* sets out the Union government's economic response to COVID-19, ranging from action on personal protective equipment (PPE) procurement to direct cash transfers to households. The CERP outlines an ambitious economic response to COVID-19 and provides a useful tool for cross-government coordination.

Although the CERP provides a useful starting point, a document of this sort must be complemented by wider and deeper policymaking efforts. The CERP outlines an ambitious set of policies, but it is a summary document, meaning that it deliberately does not go into detail on how these should be implemented. This report makes two central arguments. First, that the CERP provides a solid foundation for a cross-government response to COVID-19; it provides a clear economic policy position on COVID-19, around which other policies and responses can reinforce. Second, for the CERP to be successful, interventions by the Union government need to be complemented by a dynamic state and region government response. At a time when Myanmar faces a potentially devastating economic shock, and when unprecedented policies are being trialed by the Union government, it is vital that state and region governments add their own skills, expertise and experience to the response (see Box 1).

> **MYANMAR'S GDP GROWTH FOR 2019-20 FY HAS BEEN REVISED DOWNWARD TO 4.3 PERCENT**

Section 2 of this report explores the CERP in detail, assessing how each of the CERP's seven goals relates to state and region governments. Section 3 offers three recommendations for state and region governments looking to react quickly and decisively to COVID-19, in a way that aligns with the CERP. Section 4 concludes.

2. WHAT DOES THE CERP MEAN FOR STATE AND REGION GOVERNMENTS?

The CERP is divided into seven goals, 10 strategies, 36 action plans and 76 actions. This section reviews the seven goals of the CERP from a state and region perspective.

States and regions have a key role in to play in implementing and updating the CERP's seven goals. The CERP is a "living document" to be "revised constantly as circumstances and events demand". It is important that states and regions play a role in shaping the evolution of the CERP, to ensure its re-designs and implementation reflect realities on the ground.

GOAL 1: IMPROVE THE MACROECONOMIC ENVIRONMENT THROUGH MONETARY STIMULUS

● **SUMMARY**
Goal 1 focuses on the monetary policy response to COVID. The Central Bank of Myanmar (CBM) has already lowered interest rates and introduced changes which incentivize commercial banks to lend more to households and businesses. The CBM's aim is to inject money into the economy to offset the fall in demand for businesses' goods and services due to the COVID-19 disruption. Before the end of 2020, the CBM has committed to take further steps to boost spending and investment.

● **WHAT DOES THIS GOAL MEAN FOR STATE AND REGION GOVERNMENTS?**
Monetary policy is the responsibility of the Union government, so there is limited scope for state and region government to support this goal. State and region governments can, however, monitor the impact of CBM policy

on households and businesses and provide feedback to the Union government on whether policies are having the intended impact.

GOAL 2: EASE THE IMPACT ON THE PRIVATE SECTOR THROUGH IMPROVEMENTS TO INVESTMENT, TRADE & BANKING SECTORS

● SUMMARY

Goal 2 of the CERP outlines plans to lessen the impact of COVID-19 on private sector firms, ease the strain on the banking sector, and promote both business investment and international trade. To achieve this, the government plans to increase government spending. In doing so, it intends to counteract the fall in private spending by households and businesses. Measures to energize the private sector are also included, such as tax relief measures and low-cost loans.

Goal 2 of the CERP commits the Union government to a range of measures to support the private sector, such as deferring key tax payments, increasing the number of public investment projects and providing financing to exporters. The latest evidence suggests that these measures are sorely needed. A recent survey by The Asia Foundation found that approximately half of businesses are concerned about their survival during this pandemic, and many are facing significant cash-flow problems.[6]

● WHAT DOES THIS GOAL MEAN FOR STATE AND REGION GOVERNMENTS?

The action plans listed under Goal 2 could signal much-needed support for local economic activity. However, states and regions will only benefit from this support if it reaches businesses in practice. The survey of 750 firms by The Asia Foundation between April 28 and May 10 2020 found that as many as two-thirds of businesses are still not aware of the financial support available to them from the Union government.[7] State and region governments may need to support the communication of Union government policies; for example, subnational governments could support the Goal 2 action plans by translating Union guidance to businesses and coordinating with local news media.

CERP Goal 2 also has implications for state and region budgets. Union government support to the private sector will be most effective if it is complemented by a similar shift in state and region budgets. In some townships, the subnational government is responsible for as much as 90% of capital expenditure, so it could have a decisive impact on the speed and sustainability of the economic recovery.[8] State and region governments could re-orientate their budgets through a range of different measures. For example, capital expenditure projects could be expanded and/or accelerated to boost demand.[9] Mon's state government has already taken steps to adjust its budget, with significant increases in its capital spending intended to offset the shock from COVID-19.

Changes to subnational budgets in response to COVID-19 can be used to support the local economic recovery and to meet longer term development objectives. In the short run, expanding state/region capital projects will complement the Union government's increase in spending and help counteract the damaging economic effects of COVID-19 on the private sector. In the long run, the Union government's support for higher investment is also an opportunity to accelerate progress towards specific development objectives. Strategic investments in infrastructure, for example, could yield substantial long-term benefits. More detailed suggestions on budget re-prioritization are provided in Section 3.

Finally, it is important to recognize that state and region departments are already doing a great deal to support Goal 2 of the CERP. Development Affairs Organizations (DAOs) and City Development Committees (CDCs), which are managed by state and region governments, have been supporting the private sector in urban areas. DAOs and CDCs have continued to provide daily services such as water provision and garbage collection and have also taken on new important new responsibilities such as disinfecting public spaces and managing social distancing procedures at local markets.

GOAL 3: EASING THE IMPACT ON LABORERS & WORKERS

● SUMMARY

Goal 3 of the CERP aims to support workers affected by COVID-19. Many workers have already lost their jobs – either at home or abroad – during this crisis, while many others remain in precarious employment likely to be

affected by COVID-19. The measures outlined under Goal 2 are designed to support businesses, which should in turn support laborers and workers. Goal 3 of the CERP outlines measures that will more directly impact laborers and workers. It sets out plans to extend healthcare benefits for the approximately 1.5 million workers covered by the Social Security Board (SSB) and to introduce labor-intensive community infrastructure projects to provide short-term employment opportunities.[10]

These measures could play a key role in softening the COVID-19 shock. Protecting workers' welfare and keeping workers in employment where possible could help preserve skills in the short term and prevent disastrous social and economic impacts for families and communities.

● WHAT DOES THIS GOAL MEAN FOR STATE AND REGION GOVERNMENTS?

State and region governments already support many workers both directly (e.g. government staff) and indirectly (e.g. day laborers employed through local contractors). Goal 3 of the CERP emphasizes the importance of protecting these workers from the shock of COVID-19 and generating new local employment opportunities. This can come from state and region government efforts to improve the business environment, and from more immediate and direct support.

State and region governments are already overseeing a wide range of local infrastructure projects which generate local employment. The fastest way to support Goal 3 would be to accelerate and/or expand the most labor-intensive of these projects, there may also be an opportunity to bring forward new projects. During this period, state and region governments can use their local networks to target public investments in sectors and areas where COVID-19 is having the most severe impact.

Expanding investment in public works during the coming months will pose many risks and challenges. For example, projects must adjust to the new risk of COVID-19 transmission between workers and the challenge of relentless monsoon rain. Subnational governments will need to be creative about how projects are designed and implemented.

GOAL 4: EASING THE IMPACT ON HOUSEHOLDS

● SUMMARY

Households are where the human cost of the COVID-19 pandemic is ultimately felt. Goal 4 of the CERP commits to protecting households from the worst effects of the crisis by providing direct financial relief and in-kind support. The aim of Goal 4 of the CERP is to provide households with enough food and financial support to get through the tough early stages of the outbreak when family businesses have been forced to close, employment opportunities have disappeared, and many families have been unable to safely leave their homes for weeks. The specific action plans under Goal 4 outline the Union government's intention to introduce cash transfers, food transfers and electricity tariff reductions for households.

● WHAT DOES THIS GOAL MEAN FOR STATE AND REGION GOVERNMENTS?

For states and regions, CERP Goal 4 represents potentially the most important CERP commitment from the Union government. Internationally, direct support to households has been recognized as one of the most important economic measures governments can implement during a pandemic. It is a positive, bold commitment from the Union government, which could have a long-lasting impact if implemented successfully.

For state and region governments, there is an opportunity to make the support more effective. At present, the government is still testing delivery models and would benefit from more information on where resources are needed most. State and region governments can use their local networks and relationships with township actors – especially the GAD - to ensure that the right type of assistance gets to the right places as fast as possible. For example, data from township officials, recent surveys, the 2014 census, CSOs and local news sources could be used to help target support. The Union government has already released a list of 16 criteria used to target transfers. State and region governments can work with the GAD to provide up-to-date evidence on these criteria.

GOAL 5: PROMOTING INNOVATIVE PRODUCTS & PLATFORMS

● SUMMARY

Goal 5 of the CERP promotes the use of technology to tackle COVID-19; the two action plans under Goal 5 focus on mobile payments technology and online business platforms. Internationally, many innovative digital ideas

are supporting the response to COVID-19, from the use of a new contact tracing app in Singapore to the Ministry of Health and Sports' successful COVID-19 Surveillance Dashboard in Myanmar. Goal 5 of the CERP aims to encourage more of this kind of valuable innovation.

- **WHAT DOES THIS GOAL MEAN FOR STATE AND REGION GOVERNMENTS?**

For state and region governments, Goal 5 provides a license to innovate. Although some key health-focused technologies, such as contact tracing technologies, are best coordinated by the Union government,[11] there is wide scope for state and region governments to lead on digital innovation in other areas. For example, there is potential to use digital solutions to manage cash transfers, online tax payments, volunteer coordination, payments for government services (e.g. utilities and taxes) and communications with the public.

For states and regions, Goal 5 presents an opportunity to build on the local innovation already taking place. For example, the DAO in Taunggyi has already introduced the MyoTaw app which allows fast and clear communication between residents and the DAO. The MyoTaw platform could be used to disseminate COVID-19 related announcements and provide online payment capabilities. In Mandalay, MCDC have already introduced mobile payments for basic tax and fee payments, allowing residents to pay what they owe without having to come face to face with another person. During this crisis there is a chance to spread and improve these technologies further and faster.

The CERP also highlights the importance of improving government processes internally. Under Goal 5, the CERP explains that "the Government of Myanmar itself will use mobile payments whenever it is feasible". During this crisis many government officials have made effective use of online meetings. COVID-19 presents states and regions with an opportunity to digitize their own processes as well as the services they deliver directly to citizens.

GOAL 6: HEALTHCARE SYSTEMS STRENGTHENING

- **SUMMARY**

Goal 6 of the CERP focuses on the support that The Ministry of Health and Sports (MOHS) and state and region governments are providing to healthcare systems across the country. Goal 6 calls on state and region governments to ensure that adequate facilities, staff, and equipment are provided at quarantine centers, and public health measures, such as hand washing stations and disinfection of public spaces, are implemented effectively.

- **WHAT DOES THIS GOAL MEAN FOR STATE AND REGION GOVERNMENTS?**

Across Myanmar, state and region governments are already working fast to support the healthcare response to COVID-19. Although state and region governments do not traditionally have a large role in health policy, the scale of the current crisis has demanded their support.

The limited experience of state and region governments in public health policy means that there is a lot to learn from other governments' experiences both within Myanmar and abroad. For example, Mandalay has been amongst the first regions in Myanmar outside Yangon to introduce testing facilities,[12] and Ayeyarwady has been amongst the first to enforce a compulsory face mask policy. Learning from others' experiences – both good and bad – is s a simple strategy for states and regions operating in a policy area in which they have limited experience. Subnational governments can use Goal 6 as a checklist of activities to consider and policy areas to learn from others.

GOAL 7: INCREASE ACCESS TO COVID-19 RESPONSE FINANCING (INCLUDING CONTINGENCY FUNDS)

- **SUMMARY**

Goal 7 of the CERP outlines plans to increase funding for COVID-19 response activities. The CERP aims to do this in three ways (1) by cutting departments' budgets to redirect funds to COVID-19 relief activities (2) by giving departments greater flexibility to reprioritize existing budgets, and (3) by working with development partners to bring in external funding and support.

- **WHAT DOES THIS GOAL MEAN FOR STATE AND REGION GOVERNMENTS?**

The COVID-19 pandemic will put intense pressure on state and region government finances. At the union level, Goal 7 of the CERP outlines plans to squeeze budgets across government to fund COVID-19 relief activities; this has

already reduced some states and regions' budgets. This pressure comes at a time when government spending is desperately important for responding effectively to COVID-19.

At the municipal level, the slowdown in economic activity means that some local revenues may fall significantly over the next 12 months, putting financial pressure on municipalities which must generate all of their revenue locally.[13] DAOs and CDCs may struggle to continue delivering urban services (such as garbage collection and drainage maintenance) if their revenues are severely reduced as a result of the pandemic.

Subnational governments and municipal authorities must act quickly to reprioritize their budgets in response to changes in revenue and expenditure needs.[14] In the short-term, scarce revenues need to be allocated to the highest priority activities. In the longer term, governments must consider how to ensure their revenues are sustainable. For example, tax departments may need to consider changes in working practices to prepare for a second wave of the COVID-19 virus.

3. RECOMMENDATIONS

The CERP provides a focal point for a cross-government response to COVID-19 in Myanmar. The seven ambitious goals provide a strategy for minimizing the damaging health and economic impacts of the virus across the country. Based on the analysis above, this section suggests three ways in which state and region governments can complement the strategy outlined in the CERP.

RECOMMENDATION 1: REORIENT STATE AND REGION BUDGETS

Government budgets are one of the most effective tools available in the response to COVID-19; responsive, responsible budgeting will allow state and region governments to react quickly and transparently as the COVID-19 situation develops. To reorient their budgets towards the national COVID-19 response, state and region governments will need to analyze their existing budgets, plan necessary changes, and find ways to implement those changes flexibly, within existing rules.

To reorient the budget, a good place to start is a review of previously planned activities. Changing risks and priorities mean that some budgeted activities may now be impractical, others may need adjusting, and some may have become more important than before. Subnational budget departments and planning departments will need to consider a wide range of factors, including the risks to staff, the consequences of the economic slowdown, and the predicted impact of different activities.

Once it is clear which previously budgeted activities can be postponed, and which new activities need to be funded, state and region governments can plan the necessary changes. Each state and region will need its own plan for re-prioritization; a clear plan for re-orienting the budget to align with the CERP will help ensure transparency and accountability at a time when policy makers face a tough mixture of economic, political and health uncertainty. Finally, re-orienting the budget towards the COVID-19 response will require working flexibly within existing budget rules. Although the existing budget framework does include special provisions for exceptional circumstances – such as the 1 billion MMK contingency funding currently available to each state and region – many officials may be unfamiliar with these processes, so clear communication and guidance within government will be needed. A starting point for re-orienting the budget could be to create dedicated COVID-19 response accounts and accounting codes to improve the oversight and monitoring of funds during this crisis.

RECOMMENDATION 2: TARGET NATIONAL POLICIES MORE EFFECTIVELY

Myanmar's Union and state and region governments do not have infinite budgets or staff time, so they must prioritize their activities and spending. This requires difficult decisions to be made about who gets help and who doesn't, along with what form this help takes. These decisions are more effective when there is reliable data and information available – for instance, understanding which households are most in need of food aid and how much should be given to them. Information is also crucial for assessing whether policies are working as intended – and for deciding how to modify them so that they better achieve their goals. This is especially true at times of great change and uncertainty, as Myanmar and the rest of the world are facing with COVID-19.

State and region governments have access to data and information that can help achieve the CERP's seven goals. Their closer proximity to the populations they serve means they get access to information and perspectives that are harder for Union officials to access. State and region governments should make use of existing data and consider conducting new assessments to understand the impact of the pandemic on local populations, to identify those most in need, and to track this over time. Assessments could combine analysis of existing government data (such as the 2014 Census), third party data from CSOs and the development community, household and business surveys, and other initiatives. This information should be shared with the relevant COVID-19 committees and departments as part of supporting the CERP's Monitoring Matrix. A better understanding of needs will support the targeting of direct cash transfers, transfers in kind (e.g. food aid) and public works to those who need it most. This understanding can also help identify what additional support may be needed.

As well as communicating the latest information on local needs, state and region governments can support the CERP by providing feedback on the implementation of the new mechanisms. Policies rarely work as they were originally intended and need to be adapted over time in response to the lessons learned through implementation and changing circumstances. States and regions could play a critical role in convening stakeholders (from within government and outside) to share their perspectives on the implementation of policies within their states and regions. These perspectives could be channeled to Union departments and COVID-19 Committees to support continuous improvement in the CERP. Given how rapidly and unpredictably the situation on the ground can change with COVID-19, it is important that such information gets shared quickly.

RECOMMENDATION 3: COORDINATE ASSISTANCE FROM CSOS, NGOS, VOLUNTEER GROUPS, DONORS AND OTHER NON-STATE ACTORS.

The COVID-19 pandemic serves as a reminder that many, if not all, of the most difficult and complex challenges faced by societies cannot be solved by governments alone. In addressing COVID-19, governments across the world have harnessed the power of civil society to provide rapid, community-level responses that have strengthened the public health response and shielded many of the most vulnerable from the worst socioeconomic effects. While true in all countries, the need to work with those outside government is especially evident in Myanmar, where a significant proportion of the country is governed by non-state actors, and where ethnic health organizations are the primary public health service providers. Since the emergence of COVID-19, civil society and non-state actors have played a leading role in Myanmar in supporting public health education, supporting quarantine measures, and providing food and financial support to vulnerable households.

State and region governments are uniquely placed to help ensure that the support of civil society and non-state actors is directed to where it is needed most, that organizations are able to provide effective responses, and that lessons learned about what good practice looks like are shared across organizations and areas. In doing so, state and region governments can magnify and multiply the positive effects of civil society and non-state actors' responses.

Using their understanding of local needs and the emerging situation and their convening power, state and region governments can coordinate and direct efforts to where they are needed most. Where state and region governments identify challenges and vulnerabilities, they can mobilize civil society responses. In some areas, state and region governments have built trust with local ethnic armed organizations, which may permit effective coordination between the Government of Myanmar and non-state actors.

State and region governments may also provide support such as training and communication materials that enables civil society and non-state actors to provide effective responses. State and region governments should reach out to understand the challenges local organizations face in responding and consider how they can aid in overcoming these challenges.

Additionally, state and region governments are well placed to identify and assess local responses and understand where efforts are working well. State and region governments can play an important role in sharing good practice across townships within their states and regions, and also sharing lessons learnt with other state and region governments.

4. CONCLUSION

The CERP sets out a combination of public health and economic action plans which – if implemented effectively – could minimize hardship across Myanmar. The scale of intervention outlined under the CERP would have been unthinkable six months ago but will now shape Myanmar's economic future significantly over the coming months. State and region governments cannot afford to leave the design and implementation of such important policies only to the Union government. By working to support key elements of the CERP directly and by using the CERP framework to design complementary subnational activities, state and region governments can ensure that this unprecedented policy response has the maximum positive impact.

Although the Union Ministry of Planning, Finance and Industry (MOPFI) and Ministry of Health and Sports (MOHS) have taken center stage in the early response to the crisis, the local knowledge and local networks of state and region governments will be crucial if the CERP's goals of protecting vulnerable households and businesses are to be achieved. Fourteen dynamic subnational responses to COVID-19 could make all the difference in the coming months.

ENDNOTES

1. Myanmar Government Budget Speech for 2020-21 FY, July 2020.
   Alternative estimates by the World Bank suggest growth could fall as low as 0.5 percent.
2. See The coronavirus slayer! How Kerala's rock star health minister helped save it from COVID-19 at https://www.theguardian.com/world/2020/may/14/the-coronavirus-slayer-how-keralas-rock-star-health-minister-helped-save-it-from-covid-19.
3. See *An Overview of Germany's COVID-19 Response* At lgiu.org.
4. See the IMF's COVID-19 Policy Tracker at IMF.org.
5. See *Ugandan Local Governments: The Driving Force Behind the COVID-19 Response* at UNCDF.org.
6. See *COVID-19 Impact on Businesses: A Survey (2020)* The Asia Foundation
7. Ibid.
8. See *Financing Local Development in Myanmar (2019)* Shotton, R.
9. Roughly one quarter of national capital expenditure is currently budgeted by state and region governments
10. See ILO.org for more detail about the SSB.
11. For some technologies the technical skills needed, the security risks and the potential for economies of scale, mean that the Union government is best placed to take the lead.
12. See *Swabs, staff and supply chains: How Myanmar cleared resource hurdles to ramp up COVID-19 testing* published by Frontier Myanmar on 10th June 2020.
13. See Managing Municipal Revenues in the Time of COVID-19 (2020) at RIMyanmar.org
14. See Reorienting the Budget (2020) at TheAsiaFoundation.org

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