

**YANGON UNIVERSITY OF ECONOMICS
MASTER OF PUBLIC ADMINISTRATION PROGRAMME**

**A STUDY ON FISCAL DECENTRALIZATION
ON INFRASTRUCTURE DEVELOPMENT
IN YANGON REGION**

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ON INFRASTRUCTURE DEVELOPMENT
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A thesis submitted in partial fulfillment of the requirements for the degree of
Master of Public Administration (MPA)

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ABSTRACT

The purpose of the study was to examine the fiscal decentralization from fiscal centralization changed by 2008 constitution and to be allocative efficiency of public resources and to be responsibilities already under the check and balance of regional Members of Parliament to regional government that fiscal decentralization takes effect regional infrastructure development in Yangon Region from the fiscal year 2000-2001 to 2017-2018. To achieve these objectives, a quantitative, descriptive method was used. A survey was conducted on 480 respondents, 80 Members of Parliament and 400 public, who were chosen by using a simple random sampling method from four districts in Yangon Region. The majority of public agreed that infrastructure development becomes better than before. Members of Parliament go on field work in their relevant constituencies to meet, hear and discuss with the people what their requirements and ask the questions for their relevant constituencies infrastructure development. In Yangon Region, Members of Parliament ask the questions to government (executive sector) for their relevant constituencies infrastructure developments. Yangon Region Hluttaw Members of Parliament ask the questions in assembly of second Yangon Region Hluttaw. Members of Parliament attempt to check and balance as Legislative Branch with Executive Branch that are more effective than others especially fiscal decentralization on development.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
BE	Budget Estimate
FMIS	Financial Management Information System
FPT	Financing Promoting and Technology
FY	Fiscal Year
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GFSM	Government Finance Statistics Manuals
GoM	Government of Myanmar
IMF	The International Monetary Fund
MTFF	Medium-Term Fiscal Framework
MPs	Members of Parliament
PA	Pre Actual
PAC	Public Accounting Committee
PFM	Public Financial management
RE	Revenue Estimate
SEE	State Economic Enterprises
YCDC	Yangon City Development Committee

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CHAPTER I

INTRODUCTION

1.1 Rationale of the Study

After achieving independence in 1948, Myanmar ratified three constitutions of 1947, 1974 and 2008. Myanmar established the bicameral parliament consisting of a Chamber of Deputies and a Chamber of Nationalities, and multi-party elections from 1948 to 1962, unicameral parliament and a single party-state system from 1974 to 1988 and military seized the state power from 1988 to 2010. Pyithu Hluttaw, Amyothar Hluttaw and State / Region Hluttaw are established and the Union Government, the State / Region Governments and the Self-Administered Division and Self-Administered Zone Leading Bodies are enshrined from 2011 to now by the Constitution of the Republic of the Union of Myanmar (2008).

To the extent possible, the three branches of sovereign power, i.e, the Legislative Power, the Executive Power and the Judicial Power are divided and exercise mutual control and balance themselves. The three independent branches of sovereign power are shared between the Union, Regions, States and Self-Administered Division or Self-Administrated Areas. The Region / State Hluttaw shall have the right to enact laws for the entire or any part of the Region / State related to matters specified in Schedule Two (refer to Section 188) of the Region / State Hluttaw Legislative list.

The 2008 Constitution makes significant changes in both national and sub-national regulation of political, financial, fiscal and public spending in Myanmar. Developing fiscal and public budget management systems is similar to Myanmar's entire governance system. The Constitution and subsequent reforms have given introducing a new “distribution of political powers among the different institutions”, a previously highly centralized, top-down and impenetrable fiscal system has been opened up to a range of new players and institutions through a combination of delegation, decentralization, and devolution. A main argument in favor of the reform of decentralization is that it can promote public service. A key argument for the implementation of decentralization is that it can facilitate the delivery of public services. In every region and state, finances are better matched with local needs for regional 2 growth, particularly in the development of infrastructure in the Yangon region nowadays.

On the world, economic system reform in developing countries focused largely on enhancing the market's position and enhancing the atmosphere in which it operates during the 1980s, but in 2010 Myanmar began the turning point by the 2008 Constitution. There was a problem with the private sector that for some year's reformers seemed to almost neglect the potential role of the public sector in fostering growth. Over the past few years, widespread attempts have been made both to re-describe the role of the public sector in developing countries and to improve their efficiency. The implementation of policies to decentralize government functions is an increasingly important aspect of these reforms.

Fiscal decentralization and the reform of local government became one of the most widespread development trends in the 1990s. Many of these vast and expensive efforts, however, have made only modest improvements to meet their stated goals. Because of this unequal result, there has been wide-ranging discussion about the desirability and approach to fiscal decentralization.

In theory, decentralization will generate significant incentives that are compatible with government policy goals and local people requirements.. Decentralization is intended to align public services more closely with local people's preferences and needs and desires, increasing their responsiveness. Decentralization will boost the technical efficiency and quality of public services and regional development by allowing greater accountability and transparency and reducing administrative bottlenecks. And as the means to achieve greater equality and involvement, decentralization will promote the legitimacy of the state and help address certain kinds of internal conflict. Consideration should be given to the political implications of decentralization and reform progress in the areas of disputed governance.

Regarding Myanmar economic transformation, fiscal decentralization is a significant on infrastructure development in State, Region, the Self-Administered Division and Self-Administered Zone. Yangon Region is located in the heart of Lower Myanmar and the most populated and developed region in the country. In Yangon Region, Region Government and Region Hluttaw apply fiscal decentralization on infrastructure development effectively and efficiently. The transition period started in 2010 by 2008 constitution and there are many requirements in everywhere. In this situation, the MPs of Yangon Region Hluttaw attempt to fill the

needs and wants of their constituencies. Based on the inspirations, this study focused the effects of fiscal decentralization on infrastructure development in Yangon Region.

1.2 Objectives of the Study

The objectives of the study are to assess the infrastructure development from fiscal decentralization according to 2008 constitution.

1.3 Method of the Study

This thesis is studied by the descriptive method that based on primary data from survey on public, members of parliament in Yangon Region through a questionnaire using a mixed method of qualitative and quantitative to meet the objectives successfully. The secondary data and information are collected from the Yangon Region Hluttaw Records, Budget Department, Budget laws, Citizen's Budget and Statistical year books.

1.4 Scope and Limitation of the Study

This study focuses on the fiscal decentralization reform that can improve public service provision by better matching finances with local needs for regional infrastructure development including transportation, bridges and road transportation, electricity and water supply in Yangon Region from FY 2000-2001 to FY 2017-2018. This study covers only infrastructure development by Yangon Region Budget. It does not cover by Union Budget.

1.5 Organization of the Study

This study consists of five chapters. Chapter 1 is Introduction which includes rationale of the study, objective of the study, method of study, scope and limitation of the study and organization of the study. Chapter 2 deals with literature review. The literature review deals with fiscal decentralization (significance, approaches, types, theory, benefits and problems) and reviews on fiscal decentralization in Asia. Chapter 3 mentions that fiscal decentralization in Myanmar, the Union, States / Regions especially in Yangon Region. Chapter 4 describes the analysis of all data and information collected from MPs, Public, relative departments. It includes Survey Profile and Design, Survey Findings. Chapter 5 is conclusion which consists of findings and recommendations.

CHAPTER II

LITERATURE REVIEW

2.1 Concept and Significance of Decentralization

2.1.1 Decentralization

According to Vazquez(2015), the explanations for decentralization are quite different. A large number of unitary countries have pursued decentralization over the past several years as a way of looking for a more effective and leaner public sector. When other countries are disappointed with the performance of former planning and centralized policies, democratic government would restore public policy trust and provide a framework for greater consensus on policy. Nevertheless, fiscal decentralization discusses how to structure the public sector and how to create opportunities for increased growth and welfare. The grass-roots demands are often addressed through decentralization to fulfill democratic ideals. On the other hand, certain movements of decentralization are intended to include centrifugal forces, ethnic conflicts, or separatist movements, and to alleviate social and political tensions by allowing for greater local autonomy.

The economic system reform in developing countries has focused largely on enhancing the market's role and improving the environment in which it operates during the 1980s. Little attention was given to the potential role of the public sector in promoting development, which has been a concern for the private sector for some years. Over the past few years, widespread attempts have been made to redefine the position of the public sector and boost its output in developing countries. The decentralization of functions of government is a growing priority of these reforms. Fiscal decentralization and reform of local government were among the most dominant development orientations during the 1990s. None the less, many of these extensive and valuable efforts have made only the modest progress towards achieving their goals.

2.1.2 Significance of Decentralization

The essence of democracy is involvement and control of the government of the people of the country, and such participation is possible when the forces of the state are decentralized to the district, township and village levels, so that all parts of the people may sit together to discuss and address their problems. Observe

the software execution as well. Democracy is completely sensitive and accountable. Through decentralization, which is the key mechanism and is called the center of democratic decentralization, democracy is fully sensitive and inclusive (Chakrabarty, 2012).

G.Shabbir Cheema and Dennis A. Rondenilli also identified the decentralization that decentralization can be a means of overcoming the severe limitations of centrally controlled national planning by delegating greater authority for development, planning and management of field officials. According to the needs of heterogeneous regions and communities, tailor-made plans are possible by decentralization. It can break through huge bureaucracy and highly structured procedures. Knowledge and awareness to local issues can be improved by decentralizing roles and reassigning central officials to local levels. It also means that government officials and local populations are closer to each other.

Decentralization could allow better political and administrative ‘penetration’ of national government policies into the remote areas. Decentralization calls for greater representation of various political, social, ethnic, and tribal groups in decision-making. It could increase the administrative capability of local institutions - government and private – to take over some of the pertinent central government functions. It also relieves top management of its routine tasks.

Decentralization helps in institutionalizing the participation of citizens in development planning by creating alternative means of decision-making. It leads to a more flexible, innovative, and creative administration that reduces the cost of planning and increases the number of public goods. It also ensures political stability by increasing the participation of the local people in decision-making.

2.2 Approaches to Decentralization

According to Biduyt Chakrabarty Prakash Chand, the different approaches to the concept of decentralization have been clearly and profoundly presented by James Fesler (1965). He viewed decentralization as a complex issue, both as a concept and in practice. He looked at it from four perspectives: decentralization as a doctrine; a political process in a given political setting; as an administrative problem; and finally as an administrative process involving forced choices, changes in the functional and area-based administration, and between the regulatory - law and order and development functions of appointed and elected officials. Fesler’s approaches to decentralization are discussed in the following section.

(a) The Doctrinal Approach

The doctrinal approach is the approach which seeks to treat decentralization as an end in itself through a process of ‘romantic idealization’. It results on a romantic view of tradition and history. The strongest doctrinal case for decentralization is the one focused on the local community based on the village, town and city. Particularly, there are hard facts to start with the community’s concrete reality and its possession in all countries that provide some powers to local governments. The invoking of a historical tradition of local autonomy is one indication of the role of sentiment.

(b) The Political Approach

The political approach considers that decentralization occurs in a political setting. Decentralization policies and the ability to delegate powers and roles is to decentralize units in order to actually operate within a collectively defined system of autonomy. In particular, the goal of decentralization is to shift decision-making to sub-national communities on certain policy issues. In the context of devolution to local self-governing bodies, the major political commitment to decentralization reflects an attempt to set up regional governments. In the absence of such dedication, the transition to sub-national governments would remain more in statute than in practice, including local self-governing bodies.. Fesler(1965) pointed out to the problem of ‘illusory decentralization’that is presented when the formal powers or administrative arrangements are purportedly decentralist but politically controlled or influenced by the centre. This example underlied the often sceptical reactions in the West to former Soviet and East European decentralizations. If accompanied by strong hierarchical controls within the party where local elections in a one-party state, appear not afford the freedom in making choices that is the essential ingredient of decentralization.

(c) The Administrative Approach

The administrative approach is based on the principle of efficiency and rationality. The measure is considered suitable for decision-making at the field level and prompt problem-solving when field administrative units are formed through a decentralization process. The process may include administrative units between the locality and the central (state) headquarters at many levels.The multiplicity of functional divisions with increasing demand for specialized positions will emerge on the field level. Gradually, the administrative situation portrays an image of division

between general area-based administrative requirements and the function-centered statements of particular functional departments.

(d) The Dual-role Approach

The conflict in field administration between tradition and change is explored to highlight that is the dual-role approach. According to Fesler, the basic conflict is between the maintenance of law and order and the advancement of economic and social development. When maintenance of law and order, revenue collection and appraisal of local opinion were the principal responsibilities assigned to field agents, most field administration systems were developed in the simpler era. Particularly, this is the case with the field systems succeeded from colonial regimes by the newly independent nations. The system is expected to perform functions quite different from those for which it was originally designed. The target is to change established the ways of doing things so as to carry economic and social development rapidly. The new functions stand for need the evocation of popular enthusiasm sufficient to build receptivity to new ways of popular enthusiasm sufficient to build receptivity to new ways of doing things and to spur significant voluntary effort by ordinary citizens. The increased volume of work to be performed in a field area demands the field generalist to receive relief by delegation to subordinate or by sharing with coordinates. Hence, resolution of conflict between two different orientations in field administration calls for adaptations of decentralization to changing circumstances.

Fesler focused the four approaches by different issues and challenges in the realization of decentralization. The doctrinal approach considers decentralization as an end in itself through a process of romantic idealization. The political approach highlights the political character of decentralization. The administrative approach is stood on the principle of efficiency and rationality and underscores the area-function duality. Finally, the reorientation of roles from status-quo to change orientation of the field administrative system is the core of the dual-role approach.

2.3 Types of Decentralization

According to Salvatore Schiavo-Campo and Pachampet Sundaram, decentralization of central power and authority to subnational entities can be significant for political stability, effective service delivery, poverty reduction, and equity. Decentralization can also carry serious risks when ill-conceived or inapplicable to country circumstances. The trend toward decentralization has been

especially strong in Europe and Latin America, but then a variety of initiatives in that direction have also been taken in many developing countries. The dictionary definition of decentralization is that the removal of certain centralized powers or control to various areas, usually the area where operations take place. However, semantic confusion arises because of the wide range of meanings with which the concept is associated in different country practices. Dimensions of decentralization incorporate the geographic, functional, political/administrative and fiscal and degree of decentralization includes deconcentration, delegation, and devolution.

2.3.1 Dimensions of Decentralization

There are many different types or dimensions of decentralizations which have different objectives, degree and means. The fundamental types of decentralization are three and more which it takes, namely geographic, functional, fiscal, political and administrative decentralization.

(a) Geographic Decentralization

Geographic decentralization involves dividing the territory of a state into smaller areas and authorizing jurisdictional powers among them. The geographic division depends on the relevant principle practices that based on settlement patterns of the population, on language and tradition, different ethnic groups and cultures, and on scale economies which is efficiency. Constituent areas of federations coordinate to the divisions made by unitary states for urban and rural jurisdictions.

(b) Functional Decentralization

Functional Decentralization, which is the transfer of the State's responsibility among the various government functional bodies. This combines the form, amount, and combination of government services to be determined and the institutions to be delivered. Sub-national government agencies may be central ministry field offices, service districts, autonomous agencies, or 10-government local units. In practice, decentralization's geographic and functional dimensions are intertwined between sub-national and central governments.

(c) Political and Administrative Decentralization

Political decentralization which transfers the decision-making powers to the lower levels of government, encouraging the citizens and their elected representatives to participate in decision-making processes. The administrative decentralization is

closely related to the political structural arrangement of the state. Certain functions may be exercised centrally even in a federal system and locally even in a centralized system, on the other hand, a distinction is still useful. Lower levels of the government originate and implement policies independently without intervention from higher levels of the government in a fully decentralized structure.

(d) Fiscal decentralization

Fiscal decentralization sometimes referred to as fiscal federalism involving the transfer of central government spending and revenue responsibilities to sub-national governments. Fiscal decentralization is both an important economic and political trend and an integral part of developing countries' revenue mobilization. Decentralization can advance service delivery and governance efficiency, accountability, and effectiveness. Fiscal decentralization takes many forms of self-financing or cost recovery through user fees, co-financing or co-production with the private sector, increasing local tax and non-tax profits, intergovernmental transfers and local borrowing.

Fiscal decentralization practice started in the 1990s and there has since been a growing interest in the tax-decentralized system worldwide. Fiscal decentralization or the shift of fiscal duties from the central government to the lower levels of government has centered on good governance. Fiscal decentralization refers to the degree of autonomous decision-making power in the delivery of public services at various government levels. Fiscal decentralization, however, is a matter of shifting money to local government at different levels. The degree of devolution, budget distribution, and revenue arrangements should be tailored to country circumstances and focus on policy and political issues.

2.4 Public Financial Management and Fiscal Decentralization

Public Financial Management and Fiscal Decentralization are formulated through independent and managed by different departments with perspectives and objectives. Both public financial management and fiscal decentralization are important reforming in developing countries.

2.4.1 Public Financial Management

Public Financial Management is the innovation in the first decades of 21st century. PFM is concerned with government how to manage the budget in its

established steps that formulation, approval and execution. PFM refers to the set of laws, rules, systems and processes used by governments and local governments which collect the revenues, allocate the public funds, undertake the public spending, account for funds and audit results. PFM reforms are fundamental to fulfill the expected benefits of decentralization because of their maintaining fiscal disciplines, the efficient provision of public services and the accountability of local governments and constituents. Local governments can be the critical actors in the effective and efficient implementation of reforms.

2.4.2 Conventional Fiscal Decentralization Theory

Fiscal decentralization is the allocation and sharing of the responsibilities for managing public functions and resources across positions of government. The relationship between PFM and fiscal decentralization reforms which are often formulated through independent initiatives and managed by different agencies with contradictory objectives and perspectives. The decentralization theory provides direction for sharing the functions of stabilization, distribution and allocation among different levels of the government.

(a) Stabilization

The central government's primary responsibility is stabilization function that has been assigned that would result if subnational jurisdictions had independent control over their own money supplies. In addition, local economies were considered highly open, so that, the effects of local fiscal policy would be run away into other areas. The types of revenues considered most appropriate for the local governments tend to be income inelastic, constraining the ability of the local governments to pursue appropriate fiscal policy. At the end, the local level's deficit finance policies have not been considered desirable concern with the repayment would involve substantial real income transfers to creditors external to debtor jurisdictions.

(b) Distribution

The fiscal decentralization theory also assigns the principal responsibility for distribution with the central government. First, the central government redistributes the resources from wealthier to poorer jurisdictions. Second, if the production factors were mobile, the problems would be expected to result from differential local redistribution programs. While poor people suitable for benefits would try to move in, wealthy residents and businesses could move out of the redistribution jurisdiction.

Third, Local governments continue to have access to sources of income that are not readily enforced in a progressive manner with respect to income recognition.

It is generally accepted that the decentralized governments are traditionally more restricted in altering income distribution than the central government, although the traditional suggestion that distribution be centralized has been questioned. They may play the role in intra-jurisdictional redistribution, but they clearly control the acrossed jurisdictions. In the developing countries, constraints on the intra-jurisdictional redistribution may not be as problematical as in the industrialized countries. There are few cities that provide high levels of public services and wealth-responsive convenience for the rich domestic mobility may be less significant in developing countries. Thus, the wealthy have little choice where to live if they wish to enjoy the standard of living of a major urban centre. Even as these cities grow speedily from high birth rates and the in-migration of rural peasants unable to make an acceptable living from agriculture, they are unlikely to leave the few major cities in large numbers,.

There is no strong case to be made for assigning substantial distribution responsibility to local governments, although the possibility of fewer mobility problems is in less-developed countries. Local resource are frequently limited and there are the expenditure role of local authorities and their capacity to administer major re-distributional programmes. Finally, significant local residents with substantial influence might erode the development of significant local re-distributional policies.

(c) Allocation

In the allocation function, government's prescribed role of decentralized levels is substantial because demand for many public services is not likely to be uniform across space. Welfare gains would be upgrated through decentralization because residents in different jurisdictions could choose the mix of public goods and taxes that best conforms to their preferences. In the absence of a market and competitive pricing for public services, community-wide demand would be cleared through the collective decision-making process that is voting. Decentralization is ideal not only for separation of interests but also for decisions on spending in smaller jurisdictions to be more closely linked to real resource costs. However, the provision of local public goods is likely to result in greater creativity and innovation, potentially leading to increases in overall resource efficiency.

Extensions of the logic of preference variation suggest that there are opportunities for mobility, people will move to an area where a local government provides their preferred mix of public services. This makes a market-like solution to the local service provision problem. When people distribute themselves across differentiated communities in such a way that there is no incentive for anyone to move; everyone is satisfied with the services being provided in the jurisdiction where they reside.

There are important exclusions to the general rule of decentralizing to maximize allocative efficiency. Some capital-intensive services, such as electrical utilities and transport systems, can demonstrate output economies of scale. Providing services on a larger scale and across a wider area is more effective. Furthermore, the provision of certain services, such as water and roads, may create externalities between jurisdictions. The allocation of resources is more effective when the field of service provision is drawn in such a way that in such situations externalities are internalized.

An efficient decentralized structure is a complex process because optimal service area may differ greatly for different public goods and may in few or no case correspond exactly to the boundaries of existing political jurisdictions. The welfare advantages from establishing new levels of government with efficient boundaries for providing the particular public goods must be weighed against the institutional and transaction costs involved in having a larger number of jurisdictions. It is more functional to pursue alternative policies that have the same overall effect, such as, the formation of co-operative agreements among the existing decentralized political jurisdictions or provision or subsidy or regulation of services by the more centralized level of government.

On the revenue side, the guidelines for defining or evaluating a revenue system are suggested. First are local taxes that should be as neutral as possible in terms of their effect on economic behavior. Secondly, local tax benefits and costs that should be clear to those for whom services are to be provided. Thirdly, the incidence trends of local taxes are expected to meet basic equity requirements. Lastly, administration and compliance costs should be minimized by avoiding complex taxes being assigned to local governments (Oates,1972).

In addition to these basic guidelines, other issues regarding local revenue systems emerge from the local finance literature. First is the spatial dimension of local

government actions that requires interdependence and competition across jurisdictions be explicitly considered and mobile tax bases be avoided. Second is central governments that have national goals regarding public service provision and inter jurisdictional equity that justifies intergovernmental transfers and service standards. Third is the optimal criteria for assigning revenue sources to local authorities that will generally differ from the perspectives of central and local governments. These differences in perspective and their potential effects must be perceived when designing local revenue systems.

2.4.3 Fiscal Decentralization: Benefits and Problems

The degree of devolution, the revenue arrangements and the assignment of expenditures should be customized to the country situations and depend on policies and political issues. Public services should be provided by the jurisdiction which controls the smallest area that enclose the benefits and costs of provision.

2.4.4 Prerequisites for Fiscal Decentralization

Related to political decentralization, the subnational government entity should be responsible to the local population in some appropriate pattern normally through elections. The chief local executives should be elected or appointed directly or indirectly by such the local government entity. If the local executives are appointed or seconded by governments at a high level, it is difficult for the local government to implement its own programmes in many developing countries. Local government must have some taxing powers to have effective control over its own budget. It is actually the central government that decides the local budget, impairing the essence of fiscal decentralization if all local government revenues are transferred from the central government revenues. Local governments must have sufficient tax administration capacity. Poor tax collection collapses the advantage of having some revenue-raising powers. Local governments must have some degree of autonomy in their determining service levels for delivering services that are important to the local citizens.

2.4.5 Potential Benefits of Fiscal Decentralization

Fiscal decentralization can develop service efficiency and public economic welfare, as local governments can better suit the differing tastes and performances of residents and are more responsive to the people. Since people can hold local officials

accountable for service delivery at some acceptable quantity, quality and price, more effective and efficient services will be provided.

2.4.6 Revenue Mobilization

More effective tax administration may be led by the decentralized tax structure with the same overall tax rates and greater revenue. The central governments generally ignore potential small taxpayers from the tax net because of the administrative difficulties associated with them and the revenue gains are small compared with the administrative costs of collection. The local governments which are being closer to the people, may reach the lost potential revenues through some kind of user charges and other minor taxes. This is particularly applicable to the local governments in transitional economies where the small private business is rapidly growing.

2.4.7 Resource Allocation and Equality

Local government is closer to the users that it is in a better position to decide on appropriate user charges for some services and administer the system, hence, while tailoring charges to ability to pay improving the allocation of resources and fostering economic growth. Local governments may be unable to build poorer standard and adequately uphold infrastructure and services, because of poor technical and managerial capacity.

2.4.8 Potential Costs of Fiscal Decentralization

The potential costs are almost definite mirror image of the potential benefit argument. One of the other arguments will be credible that is depending on the specific conditions and time.

2.4.9 Efficiency

The reverse of efficiency for decentralization argues that fiscal decentralization can worsen efficiency when local bureaucracies are unemotional, managerially and technically deficient and poorly motivated in many developing countries and several developed countries. The assumption that people who express their votes is not always valid, considering local fealty in many developing countries that reflect economic dependence, political loyalties, religious affiliation, cultural

identities, etc., rather than the public choices and preferences for certain services and government efficiency.

2.4.10 Poor Resource Mobilization

When local capacity is limited, the negative effect on tax administration and resource allocation can appear and local government may be more weak to capture by powerful local elites. Any revenue advanced by expanding the tax base including small taxpayers can be more than offset by the loss of revenue from underpayment of tax by wealthy people.

2.4.11 Regional Inequality

Where persons or households with the same income but residing in different localities are treated differently because of diverse tax and expenditure policies of local governments, fiscal decentralization encourages regional inequalities and may lead to unequal treatment of individuals. Taxes are collected and expenditures are undertaken differently in the different supervisions. Fiscal decentralization may increase regional inequalities. Rich regions which have higher income from their larger tax bases, can be lower tax rates and provide better public goods and services. The lower tax rates may promote migrant people to settle in rich jurisdictions, further enlarging their tax bases and concentrating activities and growth in a few cities and localities and the better public services (especially in health and education) will provide the continuing advantage for human capital formation, growth and competitiveness. These matters, rich regions become richer and poor regions become poorer.

2.5 Fiscal Decentralization in Asia

According to Martinez-Vasquez (2011), there had been managed to escape the middle-income trap in a few Asian countries since the 1960s. Among of these, Japan, the Republic of Korea, and Taipei were initially set up as the centralized government system before making the transition to the decentralized government system. Following the global wave of liberalization in the 1990s, those three countries together with other Asia-Pacific countries that began to decentralize their system of government. The political and economic decentralizations were seen as a means to liberalize aspects of the governance system.

There are generally three circumstance that can describe the process of decentralization worldwide. (1) The comprehensive big-bang political-economic

devolution in Indonesia and South Africa; (2) Complex political change and partial economic shift in Brazil and India; (3) limited political shift in the People's Republic of China with greater administrative and economic shift. The history of disparities in decentralization that include effects in both political and economic aspects, which will also influence economic development stages to some extent. A shift in political ideology in Japan did not begin with, and was not followed by, the transition to a decentralized system of government. On the other hand, Indonesia, the Republic of Korea and Taipei's decentralizations were part of the democratic transition.

Countries have different levels of systemic change in decentralization, in line with the challenges faced by improving local government institutional efficiency. There are four major phases of decentralization calculated by the degree of systemic change (1) The first stage is the reform of governance, perceived to be the most difficult to change not only the structure, but also the people within the system; (2) the second stage is the fiscal efficiency, that is considered the riskiest because it will affect the effectiveness of policy or programme implementation; (3) the third stage is democratization, that is quite critical for a country in the long term due to potential resistance; (4) the fourth stage is market-preserving decentralization, that is considered the optimal condition in which the decentralized system of government manages to support the sustainable market mechanism.

Within Japan's local government structure, the features of the centralized government system could still be seen. To order to manage local governments, two structures of government operations were created. Local government authority was reduced to under the Delegated Function Program of the Department. The minister of central government or prefectural governor had the power under their control to administer local governments. Several studies have promoted the revision of the decentralization law by offering to reform Local government authority since the 1980s. In 1999, the Omnibus Decentralization Law was finally enacted and the intervention and control by the central government has been curtailed and the local governments had more authority over local revenue sources under this law.

In Japan, the following points were considered important relationship between central and local governments: (1) when the country is in the catch-up stages of development, the centralized system of government that prioritizes uniformity and efficiency in governing is effective; (2) it is necessary to promote decentralization in order to be competitive in the dynamic global society.

The Republic of Korea also had experience with a similar transition from the centralized to the decentralized system of government. Even though the strong control by the central government, the residents and civic organizations at the local level pushed for decentralization reform, particularly from the political perspective. In the Republic of Korea, One of the reasons for the strong state-led system of government was to ensure the direction of industrialization during the 1960s to 1980s. Under this strong state-led system of the government, the authoritarian regime ruled out the law that mandated the certain degree of decentralization and implemented a “command and control” system of inter-governmental relations. After 1987, the democratization reform brought about the sociopolitical movement by local civil societies, which mainly targeted on the practice of democracy at the local level. This became the beginning for decentralization reform later in the 1990s.

Decentralization reform was delayed until the financial crisis hit in 1998, even though a push for the implementation of local democracy. The Republic of Korea government agreed to implement public sector reform, which was directed towards more market economy under the agreement with the IMF. This reform was also oriented to strengthen the role of local governance to gain competitiveness and a speedy recovery for the economy. The shifting into the democracy system has been proven to be relatively successful in the Republic of Korea. Most local governments focused on economic development and innovation, after the implementation of post-crisis decentralization. This is the reason for the continuing economic progress after the 1998 crisis that eventually brought the Republic of Korea out of the middle-income trap.

Taipei followed the central government system due to the unique setting of its political institutions for almost 50 years. The local Governments System in 1999 was decentralization finally implemented in order to improve the local public service provisions. Local governments played a significant role in improving public services after acquiring more authority in managing local revenue sources similarly to the case of the Republic of Korea. The two key sectors of public services are health and education that local governments have mainly prioritized.

The impact of decentralization reform could vary one country to another for differences in the characteristics and complexity of each Asian economy. The success experiences of the three Asian countries that managed to become high-income countries show that the key is to achieve a market condition that perpetuates decentralization through administrative and fiscal reform. Japan, the Republic of

Korea, and Taipei, have been quite successful in implementing administrative and fiscal reform with democratization. The change of these countries were systematically which were carried sequentially and also through better planning and preparation. Local democracy flourished before the financial crisis hit in 1998, which became the spark for further democratic reform in the case of the Republic of Korea. In the case of Indonesia, the administrative and fiscal reform along with democratization took place in the same period following the 1998 crisis, which resulted in for improving the capacity and capability of local institutions.

2.6 Reviews on Previous Studies

According to report of International Growth Centre in Fiscal Decentralisation and national Reconciliation in Myanmar(2016); the inadequacy of clarity on the expenditure responsibilities between Union and State/Region governments, together with unintelligible rules governing which level expenditure is recorded in budget that makes very difficult to know exactly how much of GoM's allocation is decentralized. Most of the major public services in Myanmar were primarily or exclusively responsibility of the Union Government when deciding which functions to decentralize. This report presented the inception of transition period of Myanmar.

According to the World Bank report(2008), fiscal decentralization is essentially the transfer of expenditure responsibilities and revenue assignments to lower levels of the government. The sub-national government which is being closer to the people, it is more capable compared to central governments to meet citizen's preferences and demands in public goods and services. Research generally supports that fiscal decentralization has been linked to the variety of outcomes, among of these are those are: economic growth, government size, changes in public expenditure patterns, fiscal imbalances, governance and service delivery.

In South Asia, several decentralization reforms have been taken place during 1990s, but fiscal decentralization has not yet reached effectively the lower levels of government in most countries in the region. There have great advances observed in India, Pakistan and Nepal but there is a variety of problems that countries face in the design of their intergovernmental fiscal relations. Expenditure responsibilities devolved particularly at the local level seem to exceed revenue potential of sub-national governments. The transfer system has many weaknesses in design and not been guided by clear objectives and local governments lack revenue raising power

and show high dependence on transfers from higher levels of government. The report made the recommendations include: clarifying expenditure assignments, consolidating schemes, enhancing panchayat resources, redesigning transfers, creating information systems on local finances and improving accountability.

Siti Aisyah studied about fiscal decentralization policy in Indonesia was designed to help poor local government encourage their economies. Besides improving local economic growth, fiscal decentralization policy also expected to reduce the inequality level across province in Indonesia. The more efficient resource allocation which supposed to be created by policy is not yet maximized. Local governments have more power in spending decision, but central government have a major decision in revenue or taxing policy, such as income tax, tax on resources, and many others were determined and collected by central government, leaving local government with the relatively low value tax revenue like property tax, vehicle tax and others. Although central government provides transfer fund to local governments, the amount is also determined exclusively by central government. If local governments have more power in tax authority, may be their economy can improve more and rapid than before.

Dil Nath Fuel(2013) examined about fiscal decentralization in Nepal that the socio-economic and demographic indicators of Nepal have been progressed. The municipalities are supposed to be autonomous and advanced local bodies in Nepal. The local bodies have been functioning as a local service center of the central government. Thus, the poverty in the local level could be reduced. It helps to benefit the broad economic, political, social and administrative transformation that has been taking place in contemporary Nepal. However, the other local bodies, namely, District Development Committees and Village Development Committees in Nepal which are taken as the foundation of fiscal federalism in Nepal. The poverty reduction through fiscal decentralization has been taken but has been challenging to carry out.

Sutapa Amornvivat presented about fiscal decentralization in Thailand that local governments have limited authority to make expenditure allocation decisions. Local governments (provincial governor or district council) approve the local budgets and central government monitor the spending. Local budgets have reasonable degree of autonomy in designing service delivery, despite current limited authority on expenditure allocation. Central government consults and indicates that local governments deliver their services appropriately and effectively.

CHAPTER III

FISCAL DECENTRALIZATION IN MYANMAR

3.1 Overview on Fiscal Decentralization in Myanmar

Fiscal decentralization is the process of transferring over the Union expenditure and revenue-raising authority to State/ Region government in Myanmar. The 2008 construction introduced significant changes in fiscal and public expenditure is managed in Union and State/Region Levels. State/ Region governments have probable to provide more efficient and responsive public services.

Fiscal decentralization is an significant component of the government's overall plans for regional development, decentralization and strengthening of local governance. In this regard, international experience recommends that decentralization can lead to significant benefits in terms of economic growth and poverty reduction while not endangering overall economic stability, so long as the process is carefully designed and well-implemented. Key to success is the mindful management of the links between political, administrative and fiscal decentralization, and between decentralization and the peace process. Also critical is the design of the fiscal decentralization process itself, including clarity with respect to expenditure and revenue assignments, an efficient and equitable system of intergovernmental transfers, and a sound strategy for local borrowing as well as a good understanding of and an agreement on the links between fiscal decentralization and sharing natural resource wealth.

3.2 Fiscal Decentralization Reform in Myanmar

After attaining independence, Myanmar practiced check and balance between three pillars that did not become too much centralized. It was short term and had long term experiences in political, administrative, functional and fiscal centralizations.

3.2.1 The New Legal Structure

A modern federal structure has been adopted by the New Legal System, the 2008 Constitution, through the creation of new institutions at Union and State / Regional level. For 14 states and regions, the constitution provides a federal structure for distinct budgets and funds. At the level of the Union, the branches of the Executive, Legislative and Judiciary were established in accordance with Article 12 of the Constitution for checking and balancing, and the level of the States / regions was empowered by Article 12. The Financial Commission 20 approved by Article 230 has

the highest political authority, and the Union Parliament has the authority to regulate the Union budget. The new institutional structures impact financial arrangements and management significantly.

The President's Office has launched policy initiatives to help the decentralized system.

The reforms to enhance government agencies' management and administrative efficiency represent the development focused on citizens. Moreover, to implement the bottom-up strategy, new structural reforms were made. The changes were caused to take into account the request made by the communities in the fiscal structure. The presidential speech in August 2013 claimed potential fiscal decentralization arrangements through the provision of public service and empowerment of the governments of the state / region.

Fiscal decentralization explains how the obligations for spending and the related financial resources are assigned to sub-national levels (state / region). Some discretion over resources may be deconcentrated to lower layers of central ministries or more complete control devolved to local government with a system of planning and budgeting, local revenue, central-local transfers, and borrowing. "Fiscal Decentralization can be viewed at in terms of four basic building blocks or "pillars". First is the arrangements of expenditure responsibilities to different government levels. Second is the assignment of tax and revenue sources to different government levels. Third are intergovernmental transfers-Union government may provide regional and local governments with additional resources through a system of intergovernmental fiscal transfers or grants. Fourth is the issue of sub-national borrowing and whether local governments are granted to borrow to finance revenues.

Myanmar has undergone a series of reforms aimed at improving fiscal accountability and enhancing its system of public financial management since 2011. Otherwise, these reforms have resulted in the creation of new institutions (such as the Treasury Department and the Committee on Public Accounts in the Parliament of the Union), as well as new practices and procedures (such as giving autonomy to states and regions to prepare their Union Budget Law portal for the Ministry of Planning and Finance). Increased media reporting and budget awareness programs have also been important milestones by civil society groups in improving fiscal accountability. Yet, despite the progress, there are still serious challenges that could greatly hinder the reforms of public financial management.

3.2.2 Budget Process in Myanmar

Now Myanmar is implementing a decentralized budget process; State administrative bodies and departments of line put forward their own plans for spending. Therefore, because Myanmar has five major levels of government, the budget process takes five steps from the bottom up approach.

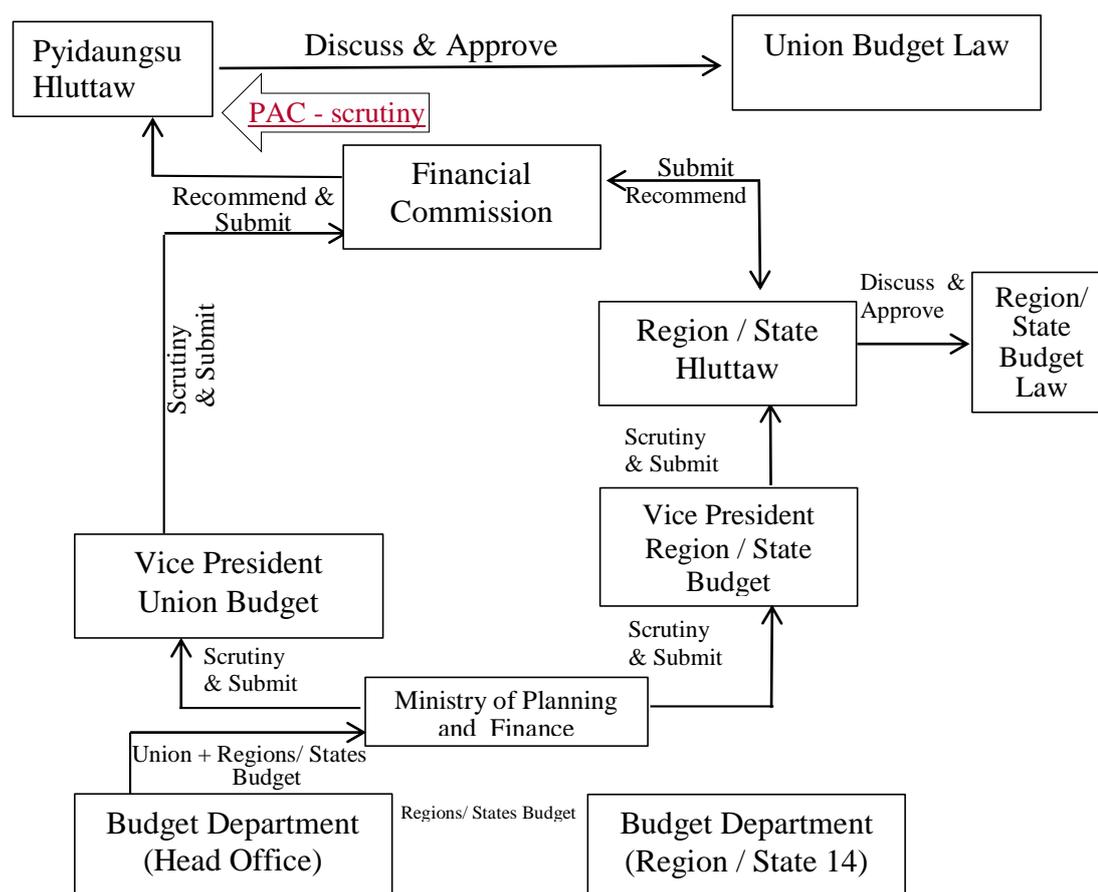
The process of preparing the budget usually begins in February and concludes in September. The Financial Commission meets to review budget proposals from the Ministries of the Union and the State / Regions. This addresses the debt ceiling issues and the Union's contributions to the spending of the State / Region. While the Financial Commission was newly set up in 2012, it remained a forum for compiling budget proposals rather than establishing a Union fiscal policy framework with little interaction between the ongoing reforms of fiscal decentralization. The Financial Commission, consisting of state / region chief ministers, affects the negotiating power on the allocation of funds under Section 118-Schedule II.

Although the Financial Commission addressed revenue and expenditure allocations in addition to Union ministries and state / region government spending responsibilities, the constitution did not clearly identify functional and spending responsibilities between different levels of government. The current legal structure leaves some of the spending obligations unclear and overlaps the Union with the State / region (Section 96-Schedule I) (Section 118-Schedule II).

The bargaining power is affected by the Financial Commission comprising of State/ Region Chief Ministers on budget allocations of funds for State/Region expenditure under section 118-schedule II and revenue under section 254-schedule V by the 2008 constitution are follows:

The budget proposal is submitted to the Pyidaungsu Hluttaw for further review after the budget submissions and discussions at the Financial Commission with committees formed at Pyithu Hluttaw (Lower House Parliament) and Amyothar Hluttaw (Upper House Parliament). The creation of Public Account Committees and the Planning and Finance Committee as official budgetary oversight bodies guarantees fiscal accountability through the public broadcasting of the national television budget discussion and the publishing of the budget legislation in national newspapers.

Budget Process (the Union Budget and the Region / State Budget)



Source : Budget Department

3.3 Myanmar's Subnational Fiscal Structure

In Myanmar, fiscal decentralization has been largely driven from the top, focused on service delivery and development spending, and hindered by limited administrative capacity. The current subnational fiscal structure of defining characteristic is mixture of devolution and deconcentration. There are devolved subnational governments in the states and regions that have their own sources of revenue and a distinct budget for some functions. A large majority of fiscal resources and the responsibilities are maintained in the union line ministries budget, on the other hand, the state and region budget assignments remain small. There are three main ways for fiscal resources from the Union budget to the subnational levels.

Way 1: Line ministries or departments that remain under Union jurisdiction, and which have assigned, to a greater or a lesser degree, some activities and their accompanying budget to their state and region departments through a deconcentrated way.

Way 2: The Union budget gives aid in the form of grants or loans to the state/region fund to support a range of devolved departments through a devolution way. These state/region budgets are also supported by tax and non-tax revenues and local SEE income.

Way 3: Different, separately budgeted funds, mainly for local infrastructure capital expenditure, are distributed to the level of the state / region, local MPs or townships according to specific distribution and management requirements.

This fiscal structure has important implications for both current and future fiscal decentralization policies. First, each of these three channels has different arrangements for determining both the total pool of available resources and its distribution geographically.

Second, the division of responsibilities that fall under each of the channels is unclear. As a result, different sub-departments of the same ministry may be funded through different channels, meaning that in states and regions, some departments have budgets via both the Union and state/region budget channels. This can lead to poor use of resources and weak accountability.

Importantly, it removes the link between the functions assigned to different levels of government and the availability of resources to carry them out. This kind of policy means that state and region budgets are manipulated and pieced together to meet a policy quota, instead of being an expression of objectives, priorities, and plans. Often this lack of connection between funding sources and the functions they support results in subnational governments being assigned insufficient resources.

An opposite risk may be emerging in Myanmar: given the limited expenditure responsibilities currently devolved to state and region control, further increases in the state and region budgets may take resources away from essential social and economic services that are in the Union budget. Without costing the actual functions under state and region control, it is possible that the budget-share approach to fiscal decentralization currently used will overfund a narrow range of local services, while creating shortages and potentially larger deficits at the national level.

3.4 State and Region Budget

3.4.1 Revenues of State and Region Budgets

Subnational budgets in Myanmar have three broad sources of revenue: aid from the Union government to the various state and region departments, several

mechanisms for delivering discretionary funds for local development and infrastructure initiatives, and own-source revenues from a range of taxes and fees collected through several departments.

The size of aid flows to State/Region departments from the Union is currently based on the deficit between departments' revenue and expenditure, or ad hoc negotiations with the central level. This method of budget preparation results in inequitable budgets that mirror current rates of spending, not what spending should be to carry out assigned responsibilities. When the difference between State/Region revenues and expenditures are the main determinant of the levels of transfers, states/regions and other local governments do not have an incentive to improve revenue collection. If local departments show more own-source revenue in their budget submission, it is likely that this will result in a lower level of transfer, or at least a lower rate of increase. Analysis of budget expenditure shows that states and regions are receiving larger budgets, but are also more dependent on Union transfers.

3.4.2 Region and State Budget Process

In the past time, planning and budgeting systems are top-down system but in these days, planning and budgeting systems change to bottom-up system according to the new Constitution. The Region and State Planning and Finance ministers explain the Region and State Planning, Budgeting and Taxation Bills to the Region and State Assemblies. The relevant ministers explain the Region and State infrastructure development planning to the Region and State Assemblies. All MPs including the Region and State MPs go on fields work in their relevant constituencies to meet, hear and discuss with the voters. Besides, the MPs ask the questions, put up the proposals and the relevant ministers explain in the Assemblies. The MPs do check and balance the Executive's functions in their relevant constituencies. People who live in the constituencies also get the chance to ask about their needs and wants including infrastructure developments through their MPs that means the citizens get opportunities to draw up their citizen's budgets themselves.

Table(3.1) REGION/STATE BUDGET (from 2012-2013 F.Y to 2018-2019 F.Y)**(Value in Kyats Million)**

FY	Revenue	Expenditure	Grand from Union
2012-2013(A)	467,142	864,122	864,122
2013-2014(A)	634,867	1,240,989	606,122
2014-2015(A)	1,219,335	2,702,451	1,483,116
2015-2016(A)	764,555	2,390,907	1,626,352
2016-2017(BE)	561,512	2,249,731	1,688,219
2017-2018(BE)	767,362	2,474,942	1,707,580
2018Apr-Sep (6Months)	376,743	1,196,900	820,157
2018-2019(BE)	1,065,632	2,859,277	1793,645

Source : Citizen Budget (2018-2019) & Stastical Year Book (2016&2017)

In table (3.1), although the revenue of region/state level becomes increasing, the revenue is not sufficient the expenditure of region/state level every years. The Union Government has been providing the funds and grants to region/state level with the recommendations of the financial commission to the Pyidaungsu Hluttaw for approvals which have been implementing to relevant with the Public Financial Management System.

3.4.3 Budget Process in Yangon Region

In Myanmar, an annual budget was arranged for the FY which started on 1st April and ended on 31st March next year in the past. In 2018-2019 FY, the fiscal year was changed to start on 1st October and end on 31st September. The budget cycle in Myanmar is divided into four stages as following; the budget planning and preparation stage; the budget formulation and approval stage; the budget implementation and execution stage; and the budget evaluation, reporting and auditing stage. The budget formulation process starts on May for next fiscal year.

In Yangon Region, as the budget planning and preparation stage, the MPs, General Administration Department, Planning Department and the township level departments which are included in Yangon Region Budget discuss together for budget preparation at township level. And then, the regional level departments report to the Yangon Region Budget Department which prepares for fiscal consolidation before

May. On behalf of Yangon Region Government, Yangon Region Budget Department estimates Yangon Region Budget to report the matters related to the region government budget to Yangon Region Hluttaw. The Region Planning and Finance minister explains the Region Planning, Budgeting and Taxation Bills to the Region Assembly, Region Hluttaw. After that, People Account Committee (PAC) from Yangon Region Hluttaw pre-discusses budget reporting and the MPs have rights to discuss budgeting for their relevant constituencies' infrastructure developments.

Table(3.2) YANGON REGION BUDGET(from 2012-2013 F.Y to 2018-2019 F.Y)
(Value in Kyats Million)

FY	Revenue	Expenditure	Grand from Union
2011-2012(A)	67,392,773	80093,075	12700,302
2012-2013(A)	51,361,279	215513,363	164152,084
2013-2014(A)	163,596,545	193617,375	30020,830
2014-2015(A)	313,215,117	366241,088	53025,971
2015-2016(A)	356,905,400	471208,853	114303,453
2016-2017(BE)	416920,617	480835,225	63914,608
2017-2018(BE)	408971,273	465729,605	56758,332
2018Apr-Sep (6Months)	191395,289	202192,246	10796,957

Source: Yangon Citizen Budget (2018-2019)

Although the revenue of region/state level becomes increasing, the revenue is not sufficient the expenditure of region/state level every years. The Union Government has been providing the funds and grants to region/state level with the recommendations of the financial commission to the Pyidaungsu Hluttaw for approvals which have been implementing to relevant with the Public Financial Management System.

Table(3.3) Road, Bridge, Electricity & Water Expenditures in Yangon Region
(from 2011-2012 F.Y to 2018(Apr-Sep) F.Y)

(Value in Kyats Million)

FY	Road	Bridge	Electricity	Water
2011-2012(A)	12356.403	4486.382	8.125	4819.342
2012-2013(A)	49130.600	4529.540	158.587	17648.270
2013-2014(A)	49819.636	1139.992	50.000	34710.925
2014-2015(A)	93883.506	28550.833	390.000	54595.945
2015-2016(A)	87887.308	97088.498	8084.689	70237.128
2016- 2017(RE)	71491.515	3123.163	30206.846	29852.825
2017- 2018(BE)	85691.409	6330.450	18.331	89401.937
2017- 2018(RE)	106117.875	9998.161	2521.050	88342.692
2018Apr-Sep (6Months)	55108.604	1211.390	6853.301	64838.421

Source : Yangon Citizen Budget(2018-2019)

In table (3.3), budget allocation in road communication is primary in FY 2011-2012, 2012-2013, 2013-2014, 2014-2015, 2016-2017 and 2017-2018(RE). Water supply is primary in FY 2017-2018(BE), and 2018 Apr-Sep (6 months) . Bridge is primary in FY 2015-2016.

3.5 Ways of Fiscal Decentralization in Myanmar

The economic policy of Myanmar is people-centered, and aims to achieve inclusive and continuous development. It aims to establish an economic framework that supports national reconciliation, based on the just balancing of sustainable natural resource mobilization and allocation across the States and Regions.

3.5.1 Economic Policy of Myanmar

1. Expanding our financial resources through transparent and effective public financial management.

2. Improving the operations of state-owned enterprises (SEEs) and privatizing those SEEs that have the potential to be reformed, while promoting and assisting small and medium enterprises as generators of employment and growth.
3. Fostering the human capital that will be needed for the emergence of a modern developed economy, and improving and expanding vocational education and training.
4. Prioritizing the rapid development of fundamental economic infrastructure such as electricity generation, roads and ports, and establishing a data ID card system, a digital government strategy, and an e-government system.
5. Creating employment opportunities for all citizens including those returning from abroad, and giving greater priority in the short term to economic enterprises that create many job opportunities.
6. Establishing an economic model that balances agriculture and industry, and supports the holistic development of the agriculture, livestock and industrial sectors, so as to enable rounded development, food security, and increased exports.
7. Asserting the right of individuals to freely pursue the economic opportunities they choose, so as to enable private sector growth in line with a market economy system; formulating specific policies to increase foreign investment; and strengthening property rights and the rule of law.
8. Achieving financial stability through a finance system that can support the sustainable long-term development of households, farmers and businesses.
9. Building environmentally sustainable cities, upgrading public services and utilities, expanding public spaces, and making greater efforts to protect and conserve our cultural heritage.
10. Establishing a fair and efficient tax system in order to increase government revenues, and protecting individual rights and property rights through enacting laws and regulations.
11. Establishing technical systems and procedures to support intellectual property rights that can encourage innovation and the development of advanced technology.
- 12.** Identifying the changing and developing business environment both in ASEAN and beyond, so as to enable our own businesses to situate themselves to take advantage of potential opportunities.

3.5.2 Sketching Myanmar’s Fiscal Decentralization Way

The main thrust of Myanmar’s fiscal decentralization policy up to this point has been to increase the share of national expenditure included in state and region budgets. This type of top-down, directive policy is quite common around the world, but is inadequate in two ways.

First, it focuses attention mostly on one level of governance, the state and region, but does not yet address the central systems for determining *why* the center should devolve a certain share of the budget, or *how* that share should be divided among different states and regions. Second, it only focuses on one or two of the channels between the center and state/region level – the channel of devolved funds in the state/region budget for their limited functions, and the provision of capital investment through the various local development funds.

This section briefly outlines initial steps for a fiscal decentralization roadmap that builds on the existing channels. At the same time, because of the open-ended nature of the evolving political dimensions of Myanmar’s reform environment – notably the peace process – these approaches must not close off too many options for more substantial or dramatic reforms in the future.

3.5.3 Allocating Subnational Development Funds

Myanmar practiced top-down budgeting system from 1948 to 2010. Myanmar has introduced a number of overlapping committees and subnational development funds broadly aimed at poverty alleviation and local development through increased discretionary resources and “bottom-up” planning in 2011. The three key funds are the Poverty Reduction Fund, that is the principle subnational development fund provided by the Union government; the Constituency Development Fund, that provides budget for local development under the guidance of the State/Region Hluttaw representatives; and the six-year Myanmar National Community Driven Development Project, funded by the World Bank and supplemented by the Union government. These funds and their budgeting arrangements operate through various committees at township level and village level to support bottom-up planning.

Different fund structures and the escalating committees that have grown up to ensure local participation, carry overlapping objectives and mandates, that makes coordination difficult and risks poor targeting of resources. The complex and varied

allocation procedures refer that the overall effect of these flows on the horizontal distribution of resources across the country may be difficult to find out. At a time, there is considerable budget fragmentation occurring when Myanmar should be aiming for greater budget integration. There is a demand to consider ways to better integrate both the ordinary State/Region budgets and the various sources of development funds.

3.6 Myanmar's Fiscal Decentralization Management

Myanmar's fiscal decentralization has been driven from top, focused and managed on service delivery and development spending. Government fiscal decentralization policy has been to share of the expenditure include in State and Region Budget.

3.6.1 The Three Ways Strategy

The incremental fiscal decentralization reform strategy with three ways in Myanmar comparing to the main existing channels of subnational resources flows to states and regions based on analysis of current political, administrative and fiscal realities and international and theoretical lessons.

The first way consists of the framework for sectoral deconcentration which builds on a systematic analysis and adjustment of functional assignments. This is the introduction of sector budgeting method to improve subnational budget allocations within major line ministries. The process is parallel with changes to budget preparation and presentation, to allow ceilings and final allocations to the state/region departments to be transparent within the Union budget, and to permit line ministries to provide budget ceilings for deconcentrated functions and activities to their state and region departments. The second and third ways contain rationalizing preparation of state and region budgets through the development of a more integrated transfer system.

3.6.2 Towards the State/Region Transfer System

Alongside the process of sectoral deconcentration, Myanmar should move towards a system of transfers that works to meet the objectives of the government for its devolved activities in the second and third channels. The immediate priority is to move from the current system of budgeting for State/Region transfers to one that rationalizes (1) the vertical balance of resources between levels, (2) the horizontal

balance across the country, and (3) the incentives for own-source revenue collection, while (4) not overwhelming fiscal or implementation capacity in weak or small states and regions. Strengthening revenue capacity is essential for subnational governments to avoid being simply a “spending agent” for the center, and to develop a more permanent balance between revenues and expenditure assignments, with resulting improvements in discretion, autonomy, and accountability. An additional objective of the system may be to enhance the coordination of the ordinary and development/capital sides of the budget.

The most appropriate way to accomplish these objectives is to carefully develop a formula-based system for transfers for some, if not all, state- and region-level resources and development funds. In Myanmar, comparison of the horizontal imbalance among communes, which receive a formula-based allocation, and provinces, which confirms that “basic formula-driven approaches that take some account of capacities and needs will lead to more efficient and fairer outcomes than will bargaining between subnational administrations and officials of the central government.

3.7 Reform Achievements of Fiscal Decentralization in Myanmar

Development and reform activities were divided and submitted as work activities:

(1) According to the 2008 Constitution Act, 14 States and Regions Level Budget Departments, 1 Self-Administered Division Budget Department, 5 Self-Administered Zone Budget Departments were formed in 2010 and 2011 to plan the financial operations.

(2) Review of the Financial Procedures established by Decree 42/1986 and subsequently revised as ‘Myanmar Financial Regulations’ by Decree 35/2017 of the Ministry of Planning and Finance dated 1 April 2017 instead of Directive number.

(3) Since the financial year 2015-2016, the Budget Department has been preparing the Medium-Term Fiscal Framework for the Union Budget in collaboration with the World Bank. Based on this basis, the Budget Department formulated the deficit funding amount provided to States and Regions by the Union Fund, and specified budget limits for ministries. While Medium Term Fiscal Framework was formulated by the Budget Department in terms of 3 indicators: Total Population,

Poverty Index, and Per Capita GDP in 2015-2016 FY, another 3 indicators were introduced and formulated in 2016-2017 FY: Region, Tax per collection, and Urban Population as a percentage of Total Population.

(4) The Account Head Book used by Ministries and State Economic Enterprises for recurring expenditure was issued in 2016.

(5) Taxes collected from the cooperative sector and the private sector is shared in accordance with the ratio established by the Government of the Union when the Union allocates tax sharing to States and Regions for 2017-2018 FY, while taxes from the State-owned sector are distributed to States and Regions in accordance with the ratio defined by the Medium Term Fiscal Framework.

(6) Working with the World Bank, the Ministry of Planning and Finance presented the overall situation of analyzing the Union budget data of 34 ministries, including BE, RE and PA, during FY2011/12 to FY2014/15 and focused on five pilot ministries named Ministry of Planning and Finance, Ministry of Education, Ministry of Health, Ministry of Electricity.

(7) The Budget Department is designing a compilation and reporting framework for Myanmar Government Finance Statistics in line with international standards, compiling and reporting annual data from 2012-2013 FY to 2016-2017 FY with GFSM 2014 Model partnership with the International Monetary Fund (IMF) Adviser to the Government Finance Statistics (GFS).

(8) The Citizen's Budget has been issued since November 2015.

(9) Working with the World Bank on the findings of five chapters of the Phase 2 Review of Public Expenditure: Fiscal Space for Growth Services; Capital Spending Efficiency; Fiscal Impact of State Economic Enterprises; Tax System Efficiency; and Sound Management of Public Debt.

(10) Budget Department works with FPT Information System Company to build Raised Floor, set up a security system, and get Electricity and Ground Survey to set up a Mini Data Center.

Government is suggested to use the government expenditure in the better way and un-excessively. If the government expenditure is utilized in the excess amount, the excessive development expenditure becomes unproductive at the margin. Intensive government spending should be employed as an investment by allocating

the funds into productive sectors. Furthermore, for the economic stability, fiscal policy can be used as macroeconomic instrument. To fully implement the sound budget system and to concrete the fiscal decentralization will depend upon the modernize of budget preparing system with the policy based budgeting, medium-term fiscal targets, traditional classification to international standard and the review and amend of intergovernmental finance system.

The medium-term fiscal framework is one of the most important institutions for controlling the public expenditure. Effective medium-term fiscal planning could definitely subsidize to fiscal consolidation by increasing fiscal transparency and accountability. Some of the important basic conditions are the followings:

- (a) A deep political commitment and endorsement at the highest level to make the MTFF process a serious and meaningful exercise;
- (b) Strong management of donors to ensure they operate within the framework of the MTFF;
- (c) Willingness to subject policy decisions with financial implications, made outside the budget process, to the discipline of the MTFF;
- (d) Improvements in expenditure control so that the MTFF is not undermined by excessive expenditures and reallocations during budget implementation;
- (e) Improved macroeconomic management and revenue collection so that revenue shortfalls do not necessitate adjustments to the budget estimates; and
- (f) Briefings of politicians and senior managers during implementation.

Myanmar should be carefully these conditions and forecasts for fiscal consolidation and policy based budgeting during the introducing medium-terms. The policy makers in Myanmar should be considering for more investment on the social sectors into the fiscal framework and also should implement tax reform system, to formulate the new tax policy and to create the sharing system for social security. To upgrade the quality of Government Finance Statistics and Budget Transparency, technical capacity building and relative information technical system such as integrated and automated financial management information system (FMIS) are needed to improve in Myanmar.

Myanmar is practicing to implement by setting up quick wins and undergoing to build up the sound budgetary system. The budget reform process is witnessing developments in the previous transition years in Myanmar. Myanmar needs to review and modernize the budget system including the fiscal decentralization with the

international standard and experience. If the budget system has clearer correlate between policies and medium-term framework, it will sooner be closed to sound budgeting system and to obtain the fiscal consolidation targets in the near future.

Besides, it always watches and criticizes carefully monetary policy implications, financial policy implications, foreign trade policy implications and exchange rate policy implications. Myanmar always preserves budget deficit and GDP ratio is under 5% to develop national economy and then try to drop budget deficit and GDP ratio, to become balance budget and after that to become surplus budget.

CHAPTER IV

SURVEY ANALYSIS

4.1 Survey Profile

Myanmar's 2008 Constitution provides State/Region governments the constitutional mandate to legislate on, and provide services for, multiple subcategories under eight broad sectors. However, there is frequently a lack of simplify which services are the responsibilities of the Union government, and which belong to States/Regions, and decentralization of service provision has so far been quite limited in practice. Road building has accounted for the majority of subnational budgeted expenditure and followed by municipal services in urban areas.

Intergovernmental fiscal relations are at the very core of how governments change policies into resources in order to deliver services country-wide. Before 2011, Myanmar budget system is only one part system, state budget . According to the new constitution (2008), state budget is divided into two parts, union budget and state/regional budget. The structure of the regional government is formed of seven regions and seven states. Regional budget departments have been opened in 2010-2011 FY and fourteen regional budget laws were prescribed start from 2012-2013 **FY**. Chief Ministers of seven regions and seven states are liable for their respective regional budgets.

Yangon Region, the economic centre of Myanmar, locates in the heart of Lower Myanmar, the division is bordered by Bago Region to the north and east, the Gulf of Mottama (Martaban) to the south and Ayeyarwady Region to the west. The 2014 MPHC shows that Myanmar had a total population of 51.49 million and the population of the Yangon Region is approaching 7.4 million. The Yangon Region comprises 45 townships, and spans 10,277 square kilometers (3967.9 square miles), while Yangon City comprises 33 townships which are under YCDC and 11 townships are outside of YCDC which are under Region Development Committee within the Yangon Region . Yangon Region accounted for 24% of the country's Gross Domestic Product (GDP) in 2017. It is the international gateway and the commercial center and the key to unlocking untapped potential of Myanmar.

Yangon Region Hluttaw is formed according to the 2008 Constiitution since 2011, consisting of 123 members, including 92 elected and 31 military

representatives. The commencement of the term of Yangon Region Hluttaw is five years and it is second term now. Region or State Hluttaw have right to enact laws including Region or State Budget Law for the entire of any part of the Region or State. Region Government submits the Budget Bill to the Region Hluttaw, and then, Hluttaw discusses and approves the bill. Yangon Region Hluttaw forms ten committees- Bill Committee, Public Accounts Committee, Hluttaw Representative Vetting Committee, Finance, Planning and Economic Committee, Judiciary, Rule of Law, Complaints and Petitions Committee, Social Affairs and Management Committee, Transportation, Communications, Construction and Industry Committee, Region Goernment's Plsdges and Guarantees and Hluttaw Right Committee, Ethnic Affairs Committee and Agriculture, Livestock Breeding, Power, Electricity, Mining and Forestry Committee. These all committes perform their relivent duties.

Yangon Region Hluttaw MPs sit at the MPs office, go on fields work in their relevant constituencies to meet, hear and discuss with the people what they requires. MPs ask the questions to government (the exective sector) for their relevant constituencies infrastructure developments. Public also have chance to ask and discuss their requirements directly and indirectly from MPs to Government. These facts stimulate to choice for survey analysis to get the survey answers from the public and MPs about fiscal decentralization on infrastructure development in Yangon Region.

4.2 Survey Design

There were four districts and fortyfive town in Yangon Region. The informatic of study was obtained by surveying, and interviewing with the MPs and the residents. All the collected primary data of the questionnaire survey, Key Informant Interview (KII) were analyzed and the secondary data of Annual Budget Reports and Stastical Year Books were analyzed. As a primary data, it was collected from 400 residents who live in four districts. Simple Random Sampling was used to select sample respondents, and a total of 480 samples, 400 residents and 80 MPs were collected. A quantitative research method was applied for this survey by using well-structured questionnaires including respondent's background information in Part (A) and analysis on decentralization by the 2008 Constitution since 2010 in Yangon Region and duty of the transportation system, the roads and bridges system, the electricity

system and the water supply system developments in Part (B). The empirical data was collected during July and August in 2019. There were altogether 480 respondents that all returned the filled in questionnaire. The number of respondents who were asked to answer survey questions was 480 respondents who are 80 MPs and 400 from the residents. The target questions for residents are about the knowledge with the duty of infrastructure developments and for MPs are how to do discuss budgeting for their relevant constituencies' infrastructure developments in Yangon Region. After that the collected data from MPs and the residents by survey with simple random sampling method and descriptive analysis has been used to analyze data.

4.3 Survey Results

During survey, the most participants answering willingly are the ages between 26 to 35 and graduates. The knowledge of the respondents about budget allocation on infrastructure development in Yangon Region are not distinctly between Union and region.

4.3.1 Part (A) - Background Information

(I) Demographic Characteristics of the Respondents

Altogether 400 people answered this questionnaire, and from them 46% were male and 54% were female. 26 to 35 and 36 to 45 were the biggest age groups and the smallest age group was 61 and above. 74% of respondents were graduates level, 17% of respondents were undergraduates level and 9% respondents were Master Degree level. In job position, supervisor level and assistant manager level were biggest group and above manager level is the smallest group and most people' income per month are between 200,001MMK to 700,000 MMK. According to survey, the youth and middle people are graduates and middle income group. Most people live for 10 years and above in Yangon Region.

Table (4.1) Data Summary for Demographic Characteristics

Particulars	Number	%
Gender		
Male	183	46 %
Female	217	54%
	400	100%
Age		
Age 18 and Under 25	32	8%
Between 26 to 35	142	35%
Between 36 to 45	136	34%
Between 46 to 60	68	17%
Age 61 and above	22	6%
	400	100%
Educational Standard		
Undergraduate	68	17%
Graduate	295	74%
Master Degree	37	9%
	400	100%
Job Position		
Assistant Level	102	25%
Supervisor Level	105	26%
Manager Level	51	13%
Above Manager Level	30	8%
Others	40	10%
	400	100%
Address		
Eastern District	106	26%
Western District	108	27%
Southern District	88	22%
Northern District	98	25%
	400	100%

Income per Month		
Less than 200,000 MMK	32	8%
Between 200,001 to 500,000 MMK	160	40%
Between 500,001 to 700,000 MMK	149	37%
Between 700,001 to 1,000,000 MMK	48	12%
Above 1,000,001 MMK	11	3%
	400	100%
Living Years in Yangon		
Less than 1 year	38	9%
1 year to 3 years	56	14%
4 years to 6 years	45	11%
7 years to 10years	98	25%
10 years and above	163	41%
	400	100%

Source: Survey Data, 2019.

In Table (4.1), the demographic characteristics of these respondents were presented. 46% of respondents were male and 54% were female. There were 32 respondents (18 – 25 years old); 142 respondents (26 - 35 years old); 136 respondents (36 - 45 years old); 68 respondents (46 - 60 years old); 22 respondents (61 years and above). Thus the public who the ages between 26 to 35 were more participate and enjoy to answer than other age levels in this study. According to survey data, 74% of the respondents were graduates, 68% were undergraduates and 9% were master degree.

In the income level, there were 8% of the respondents' income were less than 200,000 MMK, 40% of the respondents' income were between 200,001 MMK to 500,000 MMK, 37% of the respondents' income were between 500,001 MMK to 700,000 MMK, 12% of the respondents' income were between 700,001 MMK to 1,000,000 MMK and 3% of the respondents' income were between above 1,000,001 MMK. Thus, most respondents' income were between 200,001 MMK to 500,000 MMK that fairly income for one. 18% of respondents were assistant level, 26% of

respondents were supervisor level, 25% of respondents were assistant manager level, 13% of respondents were manager level, 13% of respondents were above manager level and other were pensioners who were 10%. There were 26% of the respondents lived in eastern district, 27% lived in western district, 22% lived in southern district and 25% lived in southern district. Most people lived in Yangon Region for 10 years and above.

Table (4.2) Understanding of Budget Allocation

Particulars	Yes	No
Do you use transportation for business or personal everyday?	100%	
Do you have knowledge to meet or communicate with the MPs in the relevant constituencies as a voter or not for requirement?	82%	18%
Have met or communicated with the MPs in the relevant constituencies as a voter or not for need and want?	16%	84%
Have you watched TV programme about budget discussion ?	8%	92%
Have you read newspapers about budget discussion?	8%	92%
Have you read reports about budget (like Citizen Budget)?	0%	100%
Do you know that you have a chance to participate as a citizen in drawing budget ?	0%	100%

Source: Survey Data, 2019

In Table (4.2), 100% respondents use transportation for business or personal everyday, 82% have knowledge to meet or communicate with the MPs in the relevant constituencies as a voter or not for need and want, but 16% of the respondents

understand to meet or communicate with the MPs in the relevant constituencies as a voter or not for requirements. 8% of the respondents only watch TV programme and read newspapers about budget discussion. 100% have not read reports about budget (like Citizen Budget). All respondents do not know that they have a chance to participate as a citizen in drawing budget.

4.3.2 Part (B) Analysis on decentralization by the 2008 Constitution since 2010 in Yangon Region

Government collects revenues and uses expenditure to what is essential and explains people about budgeting and planning for people. People also watch, check and examine budgeting and planning the same. Knowledge of people about budgeting and planning are bellows.

Table (4.3) Improvement in infrastructure development

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Transportation system becomes better than before	93	264	28	15	8	400
Roads and bridges system become better than before	52	273	45	22	8	400
Electricity system become better than before	43	309	28	12	8	400
Water supply system become better than before	20	322	28	22	0	400

Source: Survey Data, 2019

In table(4.3), the majority of respondents agree that infrastructure development becomes better than before. In 400 respondents, 264 respondents agree and 93 respondents strongly agree that transportation system becomes better than before, 273 respondents agree and 52 respondents strongly agree that roads and bridges system become better than before, 309 respondents agree and 43 respondents

strongly agree that electricity system become better than before. Besides, 20 respondents strongly agree and 322 respondents agree that water supply system become better than before.

Table (4.4) Responsibility of Transportation System Development

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
the transportation system development is the responsibility of Union Government	178	143	34	25	20	400
the transportation system development is the responsibility of Yangon Region Government	358	22	20	0	0	400
the transportation system development is the responsibility of Union and Region Governments	285	110	0	0	5	400
the transportation system development is the responsibility of MPs	370	15	12	3	0	400

Source: Survey Data, 2019

In 400 respondents, 143 respondents agree and 178 respondents strongly agree that the transportation system development is the responsibility of Union Government, 22 respondents agree and 358 respondents strongly agree that the transportation system development is the responsibility of Yangon Region Government, 110 respondents agree and 285 respondents strongly agree that the transportation system development is the responsibility of Union and Region

Governments. Besides, 370 respondents strongly agree and 15 respondents agree that the transportation system development is the responsibility of MPs. Thus, most respondents know that the transportation system development is not only the responsibility of government but also the responsibility of MPs.

Table (4.5) Responsibility of Roads and Bridges System Development

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
roads and bridges system development is the responsibility of Union Government	378	22	0	0	0	400
roads and bridges system development is the responsibility of Yangon Region Government	283	107	10	0	0	400
roads and bridges system development is the responsibility of Union and Region Governments	285	115	0	0	0	400
roads and bridges system development is the responsibility of MPs	387	13	0	0	0	400

Source: Survey Data, 2019

In 400 respondents, 122 respondents agree and 278 respondents strongly agree that roads and bridges system development is the responsibility of Union Government, 107 respondents agree and 283 respondents strongly agree that roads and bridges system development is the responsibility of Yangon Region Government, 115 respondents agree and 285 respondents strongly agree that roads and bridges

system development is the responsibility of Union and Region Governments. Besides, 387 respondents strongly agree and 13 respondents agree that roads and bridges system development is the responsibility of MPs. Thus, most respondents understand that roads and bridges system development is not only the responsibility of government but also the responsibility of MPs.

Table (4.6) Responsibility of the Electricity System Development

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
electricity system development is the responsibility of Union Government	233	152	15	0	0	400
electricity system development is the responsibility of Yangon Region Government	215	173	12	0	0	400
electricity system development is the responsibility of Union and Region Governments	312	75	13	0	0	400
electricity system development is the responsibility of MPs	376	24	0	0	0	400

Source: Survey Data, 2019

In 400 respondents, 152 respondents agree and 233 respondents strongly agree that electricity system development is the responsibility of Union Government, 173 respondents agree and 215 respondents strongly agree that electricity system development is the responsibility of Yangon Region Government, 75 respondents agree and 312 respondents strongly agree that electricity system development is the responsibility of Union and Region Governments. Besides, 376 respondents strongly

agree and 24 respondents agree that electricity system development is the responsibility of MPs. Thus, most people know that electricity system development is not only the responsibility of government but also the responsibility of MPs.

Table (4.4), (4.5) and (4.6) express that the majority of respondents agree that the infrastructure development is not only the responsibility of Governments but also the responsibility of MPs. Although most kinds of infrastructure development in Region is the responsibility of Region Government (section 118- schedule II), people do not understand exactly which kinds of infrastructure developments is the responsibility of Union or Region Governments.

Table (4.7) Responsibility of the Water Supply Ssssistem Development

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
the water supply system development is the responsibility of Union Government	198	176	26	0	0	400
the water supply system development is the responsibility of Yangon Region Government	358	34	8	0	0	400
the water supply system development is the responsibility of Union and Region Governments	294	92	14	0	0	400
the water supply system development is the responsibility of MPs	357	43	0	0	0	400

Source: Survey Data, 2019

In 400 respondents, 176 respondents agree and 198 respondents strongly agree that water supply system development is the responsibility of Union Government, 34 respondents agree and 358 respondents strongly agree that water supply system development is the responsibility of Yangon Region Government, 92 respondents agree and 294 respondents strongly agree that water supply system development is the responsibility of Union and Region Governments. Besides, 357 respondents strongly agree and 43 respondents understand that water supply system development is not only the the responsibility of government but also the responsibility of MPs.

Table (4.8) Demand for Infrastructure Developments

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Demand for infrastructure developments through Union Government	194	107	43	56	0	400
Demand for infrastructure developments through Region Government	278	90	0	32	0	400
Demand for infrastructure developments through MPs	236	144	0	20	0	400
Demand for infrastructure developments through the relevant Departments	52	154	21	165	8	400

Source: Survey Data, 2019

107 respondents agree and 194 respondents strongly agree that they have opportunity that demand for infrastructure developments through Union Government, 90 respondents agree and 278 respondents strongly agree that they have opportunity that demand for infrastructure developments through Region Government and 144 respondents agree and 236 respondents are strongly agree that they have opportunity that demand for infrastructure developments through MPs but 154 respondents agree and 165 respondents disagree that they have opportunity to demand for infrastructure developments through the relevant departments. Most respondents agree that infrastructure developments are depended upon governments and MPs.

Table (4.9) Budget Allocation for Yangon Region Infrastructure Development
(Values in Kyats Million)

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Budget for infrastructure development is allocated by Union Government	361	19	20	0	0	400
Budget for infrastructure development is allocated by Region Government	11	0	13	59	317	400

Source: Survey Data, 2019

In table (4.9), 361 respondents strongly agree, 19 respondents agree and 20 respondents are neutral who believe that budget allocation for Yangon Region infrastructure development is allocated by the Union Government (top-down budget system). 317 respondents strongly disagree, 59 respondents disagree and 13 people are neutral who believe that budget allocation for Yangon Region infrastructure development is allocated by the Yangon Region Government (bottom-up budget system). Most respondents do not understand that budget transformation now.

**Table(4.10) Discussing for Infrastrucure Development in Hluttaw Assembly
(from 2016 to Now)**

Region								Union
District	Road	Bridge	Electricity	Water	Transportation	Others	Admin	
East	37	8	20	4	3	42	145	34
West	23	12	17	5	21	47	273	35
South	31	9	16	4	2	20	122	51
North	14	3	4	7	6	21	58	13
Total	105	32	57	20	49	130	604	134
							Total	738

Source: Survey Data, 2019

MPs go on fields work in their relevant constituencies to meet, hear and discuss the people what they needs and wants. MPs ask the questions to government (executive sector) for their relevant constituencies infrastructure developments. In table (4.9), the questions which were asked by Yangon Region Hluttaw MPs in assembly of second Yangon Region Hluttaw. According to the questions, the most questions are about road communication and electricity development were asked in the East District, bridges transportation development were asked in the West District and water supply system development were asked in the North District.

4.5.3 Interpretation of Key Informant Interview with MPs

A key informant interview is conducted to obtain vital information about fiscal decentralization on infrastructure development in Yangon Region and to provide a deeper insight and understanding of the lived experiences, opinions, and perspectives of the key respondents or players. In this study, therefore; key informant interviews are qualitative in-depth interviews with 4 persons from four districts. The compilations of the findings of 5 key informant interviews are shown in the following;

Question: Could you please explain the requirements in your constituencies?

Answered by

MP U Thein Naing ; MP of Dagon Myothit (South) Township, Constituency (1)

Although Dagon Myothit (South) Township is under YCDC, it is located in the suburban area. It was transferred from a group of villages to town last thirty years ago but was not built with infrastructure development. There is very poor in road communication, transportation, water supply and electricity. Most of people are grass roots and the requirement of road communication is primary.

MP Daw Nwe Nwe Win ; MP of Ahlone Township, Constituency (2)

Ahlone Township is under YCDC and most people are middle class. The main problem in Ahlone township is road communication because container lorries cross the most roads in Ahlone area. The systematic and well-controlled road communication system is emergency needs and the second is the household rubbish system in back-lanes and everywhere that block the drains.

MP U Zaw Min Aung ; MP of Kaukmhu Township, Constituency (2)

Kaukmhu township locates in the southern district of Yangon Region and out of YCDC control. It is under developing area like others. There are many villages that bases on agricultural economics. The cereals, beans and vegetables that are cropped well to market in time is very important for the natives. There are many requirements in road communication from villages to villages and villages to towns. Electricity is the basic need for living standard but it is lack in the area.

MP U U Win Maung @ U U Win Maung ; MP of Hlaingtharyar Township, Constituency (1)

Hlaingtharyar township, in the northern district, is the biggest densely populated township in Yangon Region. It has the biggest industry zone and is also the gate to Yangon City from Ayeyarwaddy Region. The highway communication, roads, well- drain system and electricity are been urgently requirement.

Question: How do you survey the requirement of infrastructure development?

Answered by

MP U Thein Naing ; MP of Dagon Myothit (South) Township, Constituency (1)

The requirements of infrastructure development are surveyed by canvassing voters in election, going on fields work in relevant constituencies and constituencies asking and calling with phones.

MP Daw Nwe Nwe Win ; MP of Ahlone Township, Constituency (2)

The requirements of infrastructure development are informed from the party members and word governors' reports, the public's asking and facebook posts.

MP U Zaw Min Aung ; MP of Kaukmhu Township, Constituency (2)

The requirements of infrastructure development are asked by canvassing voters in election, speaking by native party members and voters and going on field works. Most people are asking by phone and after that going to these areas for survey.

MP U U Win Maung @ U U Win Maung ; MP of Hlaingtharyar Township, Constituency (1)

Hlaingtharyar is a large town and population explosion with migrants. There are various kinds of requirements in everywhere. As the requirements of infrastructure development, depends on information from canvassing voters in election, speaking and asking from the public, from party members and news from journals, online news and public pages. After knowing, going to survey with responsible persons.

Question: Could you please explain to get budget allocation for your constituency's infrastructure development?

Answered by

MP U Thein Naing ; MP of Dagon Myothit (South) Township, Constituency (1)

First, calculated with responsible persons and discussed in township level planning meetings. After that, submitted to relevant region departments, asked the questions in Hluttaw regular meetings and discussed in budget allocation meetings.

MP Daw Nwe Nwe Win ; MP of Ahlone Township, Constituency (2)

First, going on field works and calculated with responsible persons and discussed in township level planning meetings. After that, submitted to relevant region departments, asked the questions in Hluttaw regular meetings and discussed in budget allocation meetings.

MP U Zaw Min Aung ; MP of Kaukmhu Township, Constituency (2)

First, most requirements are in villages and hamlets that were calculated with responsible persons and discussed in township level planning meetings. After that, submitted to relevant region departments, asked the questions in Hluttaw regular meetings and discussed in budget allocation meetings.

MP U U Win Maung @ U U Win Maung ; MP of Hlaingtharyar Township, Constituency (1)

Answer in above, it is a large town with population explosion with migrants. Besides, villages are surrounding. So that, the requirements are in everywhere. First, calculated with responsible persons and discussed in township level planning meetings. After that, submitted to relevant region departments, asked the questions in Hluttaw regular meetings and discussed in budget allocation meetings.

Question: Is it easy or difficult to get budget allocation for your constituency's infrastructure development?

Answered by

MP U Thein Naing ; MP of Dagon Myothit (South) Township, Constituency (1)

It is not very easy-going to get budget allocation for all constituency's infrastructure development. Region expenditure is depended on region revenue. Besides, Yangon is the big city with population explosion with migrants. Requirements are everywhere. Region revenue added grant from Union Fund allocates region expenditure so that it is very difficult to get budget allocation for constituency's infrastructure development. So that, we do constituency's infrastructure development as primary step by step.

MP Daw Nwe Nwe Win ; MP of Ahlone Township, Constituency (2)

It is very difficult to get budget allocation for constituency's infrastructure development. Ahlone township is under YCDC. Yangon Division has 45 towns, 33 towns are urban that are managed by YCDC and 12 towns are township level in rural that need to develop also. So that, budget allocation for constituency's infrastructure development is small amount for constituency's infrastructure development than requirement.

MP U Zaw Min Aung ; MP of Kaukmhu Township, Constituency (2)

It is not difficult to get budget allocation for constituency's infrastructure development but it is not sufficient for expenditure on infrastructure development. There are many requirements in constituencies.

MP U U Win Maung @ U U Win Maung ; MP of Hlaingtharyar Township, Constituency (1)

Building, maintaining and repairing are needed in everywhere. Budget allocation is not sufficient for infrastructure development. We do constituency's infrastructure development as primary step by step.

Question: Could you please tell your opinion to do more infrastructure development?

Answered by

MP U Thein Naing ; MP of Dagon Myothit (South) Township, Constituency (1)

It is important for region to utilize the allocated funds effectively for the public by avoiding the corruption. It must be establishing a fair and efficient tax system in order to increase government revenues, especially it must implement managing to increase tax revenues under section 118- schedule II.

MP Daw Nwe Nwe Win ; MP of Ahlone Township, Constituency (2)

A huge expenditure of infrastructure development should be increased more revenue in Yangon Region under section 118- schedule II. It is important for Yangon Region to utilize the allocated funds effectively for the public by avoiding the corruption.

MP U Zaw Min Aung ; MP of Kaukmhu Township, Constituency (2)

Infrastructure development is very important because it could reduce the differences between urban and suburb. The majority of people live in suburb with low income. Their income will be increased by infrastructure development. It must implement managing to increase tax revenues under section 118- schedule II.

MP U U Win Maung @ U U Win Maung ; MP of Hlaingtharyar Township, Constituency (1)

It must be establishing a fair and efficient tax system in order to increase government revenues, especially it must implement managing to increase tax revenues under section 118- schedule II. Moreover, it is also important for Yangon Region to utilize the allocated funds effectively for the public by avoiding the corruption.

According to answers of MPs, there are different requirements on infrastructure development between downtown and suburban areas. In these, there can be seen differences between under YCDC control and out of YCDC. Under YCDC control, in downtown area, the systematic and well-controlled road communication system is emergency requirements and the second need is the household rubbish system in back-lanes and everywhere that block the drains. In suburban areas, there is very poor in road communication, transportation, water supply and electricity. Most of people are grass roots and the requirement of road communication is primary. In out of YCDC, there are many requirements in road communication from villages to villages and villages to towns. Electricity is the basic need for living standard but it is lacked in the area.

MPs survey the requirements of infrastructure development by canvassing voters in election, going on fields work in relevant constituencies and constituencies asking and calling with phones, informing from the party members and word governors' reports, the public's asking and facebook posts. After knowing, going to survey with responsible persons. MPs' attempt to get budgetting are, first, going on field works and calculated with responsible persons and discussed in township level planning meetings. After that, submitted to relevant region departments, asked the questions in Hluttaw regular meetings and discussed in budget allocation meetings. Building, maintaining and repairing are needed in everywhere. Budget allocation is not sufficient for infrastructure development. It is not very easy-going to get budget

allocation for all constituency's infrastructure development. Region expenditure is depended on region revenue. Besides, Yangon is the big city with population explosion with migrants. Requirements are everywhere. Region revenue added grant from Union Fund allocates region expenditure so that it is very difficult to get budget allocation for constituency's infrastructure development. So that, they do constituency's infrastructure development as primary step by step. MPs' opinions on doing more infrastructure development that it is important for region to utilize the allocated funds effectively for the public by avoiding the corruption. It must be establishing a fair and efficient tax system in order to increase government revenues, especially it must implement managing to increase tax revenues under section 118-schedule II.

CHAPTER V

CONCLUSION

5.1 Findings

In this study, total of 400 public respondents were included to give some findings regarding the effects of fiscal decentralization on infrastructure development in Yangon Region. According to survey, the youth and middle people are graduates and middle income group. Most respondents live for 10 years and above in Yangon Region.

The majority of respondents agree that infrastructure development becomes better than before. In 400 respondents, 215 respondents agree and 185 respondents strongly agree that the transportation system development is the responsibility of Union and Region Governments. Besides, 390 respondents strongly agree and 10 respondents agree that the transportation system development is the responsibility of MPs. the majority of respondents agree that the infrastructure development is the responsibility of Union and Region Governments. Although most kinds of infrastructure development in Region is the responsibility of Region Government (section 118- schedule II), The respondents do not know exactly which kinds of infrastructure developments is the responsibility of Union or Region Governments.

The roads and bridges system and the electricity system development are the responsibilities of both Union and Region Governments by 215 respondents agree and 185 respondents strongly agree. Besides, 390 respondents strongly agree and 10 respondents agree that these developments are the responsibility of MPs. The majority of respondents agree that the infrastructure development is the responsibilities of Union and Region Governments. Although most kinds of infrastructure development in Region is the responsibility of Region Government (section 118- schedule II), people do not know exactly which kinds of infrastructure developments is the responsibility of Union or Region Governments.

215 respondents agree and 185 respondents strongly agree that the water supply system development is the responsibility of Region Governments. Besides, all respondents strongly agree that the water supply system development is the responsibility of MPs. All respondents know that the water supply system in Yangon Region is the responsibility of YCDC. 107 respondents agree and 194 respondents

strongly agree that they have opportunity that demand for infrastructure developments through Union Government, 90 respondents agree and 278 respondents strongly agree that they have opportunity that demand for infrastructure developments through Region Government and 144 respondents agree and 236 respondents are strongly agree that they have opportunity that demand for infrastructure developments through MPs but 154 respondents agree and 165 respondents disagree that they have opportunity to demand for infrastructure developments through the relevant departments. Most respondents agree that infrastructure developments are depended upon governments and MPs.

361 respondents strongly agree, 19 respondents agree and 20 respondents are neutral who believe that budget allocation for Yangon Region infrastructure development is allocated by the Union Government (top-down budget system). 317 respondents strongly disagree, 59 respondents disagree and 13 people are neutral who believe that budget allocation for Yangon Region infrastructure development is allocated by the Yangon Region Government (bottom-up budget system). Most respondents do not understand that budget transformation now.

MPs go on fields work in their relevant constituencies to meet, hear and discuss the people what they needs and wants. MPs ask the questions to government (executive sector) for their relevant constituencies infrastructure developments. The questions which were asked by Yangon Region Hluttaw MPs in assembly of second Yangon Region Hluttaw. According to the questions, the most questions are about road communication and electricity development were asked in the East District, bridges transportation development were asked in the West District and water supply system development were asked in the North District.

5.2 Recommendations

The need for transparency of public financial management system is very important. Being a democratic country, reporting the matters related to the Rangan Region budget to the Yangon Region Hluttaw, discussions about these matters during sessions of Hluttaw and releasing information to the public in openness are required. Not only annual budget law but also a variety of documents in relating to budget which are worthy of reporting to the public such as budget report, budget in brief, budget speech, and budget review should be proclaimed to the public.

Decentralization is supposed to align public services more closely to the preferences and needs of local people, increasing responsiveness. By enabling stronger accountability and transparency, and reducing administrative bottlenecks, decentralization may improve the technical efficiency and improve the quality of public services. And as a means to achieve greater equity and participation, decentralization may support state legitimacy, and help address some, though perhaps not all, kinds of internal conflict.

There are various kinds of requirements in everywhere. As the requirements of infrastructure development, depends on information from canvassing voters in election, speaking and asking from the public, from party members and news from journals, online news and public pages. After knowing, going to survey with responsible persons. Building, maintaining and repairing are needed in everywhere. Budget allocation is not sufficient for infrastructure development. It is not difficult to get budget allocation for constituency's infrastructure development but it is not sufficient for expenditure on infrastructure development. There are many requirements in constituencies. It must be establishing a fair and efficient tax system in order to increase government revenues, especially it must implement managing to increase tax revenues under section 118- schedule II. Moreover, it is also important for Yangon Region to utilize the allocated funds effectively for the public by avoiding the corruption

Fiscal decentralization describes the way in which the expenditure responsibilities are assigned and corresponding resources are provided. These resources may be provided by deconcentrating control over central funds, or by devolving to local government a more comprehensive system of planning and budgeting supported by assignment of local revenues, central-local transfers, and possibly local borrowing.

Taxes collected by the Union Government and Region/State Governments are specified in schedule 1 and 5 of the 2008 constitution. The relevant tax dividends from collected taxes of the Union Government are allocated to Yangon Region in accordance with the Constitution. The Union Government has been providing the funds and grants to Region level with the recommendations of the financial commission to the Pyidaungsu Hluttaw for approvals which have been implementing to relevant with the Public Financial Management System. It is important to provide reasonable funds to states and regions so that they can meet their service delivery

obligations. Moreover, it is also important for Yangon Region to utilize the allocated funds effectively for the public by avoiding the corruption.

The need for transparency of public financial management system is very important. Being a democratic country, reporting the matters related to the Yangon Region budget to the Yangon Region Hluttaw, discussions about these matters during sessions of Hluttaw and releasing information to the public in openness are required. Not only annual budget law but also a variety of documents in relating to budget which are worthy of reporting to the public such as budget report, budget in brief, budget speech, and budget review should be proclaimed to the public.

But, decentralization is very risky and difficult in practice. There is evidence that – on the whole – more fiscally decentralized countries enjoy higher income and other benefits, but there is little evidence that the process of decentralization systematically produces these benefits. This gap between theory and reality is a result of lack of attention to contextual factors and poor design or implementation of decentralization reforms. Successful decentralization reforms entail aligning decentralization strategy with the political drivers for decentralizing, the institutional starting points, and the capacity of the existing system.

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