



Myanmar: Financial Sector Reforms

Project Name	Financial Sector Reforms												
Project Number	47159-001												
Country	Myanmar												
Project Status	Closed												
Project Type / Modality of Assistance	Technical Assistance												
Source of Funding / Amount	<table border="1"><tr><td colspan="2">TA 8532-MYA: Financial Sector Reforms</td></tr><tr><td>Technical Assistance Special Fund</td><td>US\$ 1.00 million</td></tr><tr><td colspan="2">TA 8532-MYA: Financial Sector Reforms (supplementary)</td></tr><tr><td>Technical Assistance Special Fund</td><td>US\$ 225,000.00</td></tr><tr><td colspan="2">TA 8532-MYA: Financial Sector Reforms (Supplementary)</td></tr><tr><td>Technical Assistance Special Fund</td><td>US\$ 350,000.00</td></tr></table>	TA 8532-MYA: Financial Sector Reforms		Technical Assistance Special Fund	US\$ 1.00 million	TA 8532-MYA: Financial Sector Reforms (supplementary)		Technical Assistance Special Fund	US\$ 225,000.00	TA 8532-MYA: Financial Sector Reforms (Supplementary)		Technical Assistance Special Fund	US\$ 350,000.00
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Strategic Agendas	Inclusive economic growth												
Drivers of Change	Governance and capacity development												
Sector / Subsector	Finance - Banking systems and nonbank financial institutions - Finance sector development - Inclusive finance												
Gender Equity and Mainstreaming	Some gender elements												
Description	<p>In line with the Interim Country Partnership Strategy 2012-2014, and as part of the Policy Matrix of the Support for Myanmar's Reforms for Inclusive Growth Policy Based Loan (PBL) in support of the post program partnership framework (P3F), this TA will support sustainable and inclusive economic development. In particular, this TA will support two key program areas included in the interim CPS including building human and institutional capacity to help lay the foundation for medium-term engagement and effective development processes. In addition, the TA will promote an enabling economic environment which is needed to achieve macroeconomic stability, promote trade and investment, diversify the economy, create jobs, improve financial intermediation, and increase agricultural productivity. Through both targeted and flexible capacity building to the Central Bank and the microfinance sector, the overall impact of the TA is focused on improving financial sector intermediation. The outcome of the TA will be a strengthened institutional and policy framework for financial sector development through support for CBM's transition to institutional and budgetary independence and by strengthening its human resources ability strategy which will in turn help CBM to more effectively implement fiscal and monetary policy and regulate and supervise the financial sector. The TA also aims to establish a strategic framework for responsible finance which will lead to greater better financial inclusion for low-income segments of the population but will benefit all people in Myanmar.</p>												

Project Rationale and Linkage to Country/Regional Strategy

The government has set out a challenging economic reform agenda to lift economic growth to sustainable levels and to ensure growth is inclusive across different socio-economic groups and subregions. This agenda was described in Support for Myanmar's Reforms for Inclusive Growth (or PBL), which was approved by ADB's Board of Directors in January 2013. The agenda included: (i) macroeconomic stabilization, (ii) trade, investment and financial integration, (iii) stimulating rural development, and (iv) promoting human capital development. The government's reform agenda started with macroeconomic stabilization which were based on a unified exchange rate which the authorities floated in April 2012. To anchor the floating exchange rate, the government has introduced a basic monetary policy framework targeting reserve money which is implemented through deposit auctions. The CBM has also initiated a comprehensive and complex set of reforms for central banking and financial sector development. At the same time, and important to the proposed TA, the new Central Bank of Myanmar Law was enacted on 11 July 2013, giving CBM significant administrative and financial autonomy. The CBM will need to restructure its organization to effectively implement the new central bank law. Given its rapid assumption of significant oversight and control over monetary policy and the broader economy, CBM considers capacity building of CBM staff in central banking functions and finance sector development as its highest and most urgent priority to support its reform agenda, including macroeconomic stabilization over the medium term, and financial sector development over the longer term. Support will be required across all areas of CBM's operations with a particular emphasis on, human resources management, monetary policy, and payment systems.

At the microfinance level, the government recently adopted a Microfinance Law in November 2011 which established a new framework for allowing local and foreign investors to operate as privately owned entities in the sector. Because of extremely low capital requirements for both non-deposit and deposit-taking microfinance institutions, there are now 166 licensed MFIs (as of September 2013). The Myanmar Microfinance Supervisory Enterprise (MMSE) has the responsibility for licensing and supervising MFIs despite its low capacity to do so. The sector is further challenged by the limited differentiation between deposit and non-deposit MFIs and an interest rate ceiling. In light of the low capacity level of the microfinance regulator, the ease of obtaining a license to issue credit or take deposits, and the recent consumer protection and credit crisis experience of neighboring countries, there is a critical need for the development of basic standards around consumer protection and a financial literacy strategy both at the microfinance level but also at the commercial banking level.

Impact Improved financial sector intermediation

Project Outcome

Description of Outcome Strengthened institutional and policy framework for financial sector development

Progress Toward Outcome

Implementation Progress

Description of Project Outputs CBM institutional and staff capacity strengthened
Support Framework for Financial Inclusion Enhanced

Status of Implementation Progress (Outputs, Activities, and Issues) Under Output 1, the human resources development advisor, capacity development advisor and payments and settlements advisor have been engaged. A human resources needs assessment of the Central Bank of Myanmar has been conducted and a draft strategy for human resources development has been developed. Under Output 2, the financial inclusion and financial literacy advisors have been engaged. Initial stakeholder consultations have been conducted and work has begun on development of a responsible finance strategy and a national strategy for financial literacy.

Geographical Location

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design The project team consulted a range of development partners and local stakeholders during project design. At the Central Bank level: the International Monetary Fund (IMF); World Bank (WB); Japanese International Cooperation Agency (JICA); and Die Deutsche Gesellschaft f_r Internationale Zusammenarbeit (GIZ) were consulted. At the microfinance level: World Bank; PACT; GRET; World Vision; Save the Children; Myanmar Agriculture Development Bank (MADB); Ministry of Cooperatives; Central Cooperative Society; United Nations Capital Development Fund (UNCDF); the International Finance Corporation (IFC); the Myanmar Microfinance Association; UK Department for International Development (DFID); and the Livelihoods and Food Security Trust Fund (LIFT).

During Project Implementation

Business Opportunities

Consulting Services	<p>Under output 1, three international consultants (a capacity development advisor, human resources expert, and a payments and settlements expert) will be engaged through individual consultant selection to support the Central Bank of Myanmar (CBM) through a comprehensive Human Resources (HR) assessment, development of a short and long-term HR action plan, coordination of training and capacity building, and provision of strategic advice on payments and settlements.</p> <p>Under output 2, two international consultants (financial inclusion advisor and financial literacy specialist) will be engaged through individual consultant selection to develop a framework for responsible finance, help strengthen the microfinance association, and develop a national strategy for financial literacy.</p>
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Responsible Staff

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Responsible ADB Division	Public Management, Financial Sector and Trade Division, SERD
Executing Agencies	<i>Central Bank of Myanmar Office No.55, Nay Pyi Taw, Myanmar</i>

Timetable

Concept Clearance	16 Sep 2013
Fact Finding	17 Sep 2013 to 23 Sep 2013
MRM	-
Approval	04 Dec 2013
Last Review Mission	-
Last PDS Update	29 Sep 2014

TA 8532-MYA

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
04 Dec 2013	11 Feb 2014	11 Feb 2014	31 Dec 2015	31 Dec 2016	-

Financing Plan/TA Utilization							Cumulative Disbursements	
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
1,575,000.00	0.00	10,000.00	0.00	0.00	0.00	1,585,000.00	04 Dec 2013	1,062,306.96

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