

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC22557

Project Name	Myanmar Financial Inclusion (P154389)
Region	EAST ASIA AND PACIFIC
Country	Myanmar
Sector(s)	Microfinance (40%), Banking (40%), General finance sector (20%)
Theme(s)	Other Financial Sector Development (100%)
Lending Instrument	Investment Project Financing
Project ID	P154389
Borrower(s)	Ministry of Finance and Revenue
Implementing Agency	Ministry of Finance and Revenue
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	26-Apr-2015
Date PID Approved/ Disclosed	27-Apr-2015
Estimated Date of Appraisal Completion	25-Jun-2015
Estimated Date of Board Approval	21-Sep-2015
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Myanmar today is one of the poorest countries in Southeast Asia, a legacy of conflict, isolation, and misguided policies. With a population of 51.4 million, the country has a per capita GDP of US \$1,105, and the poverty headcount rate is 37.5 percent, with 76 percent of Myanmar's poor living in rural areas.

Beginning in 2011, Myanmar launched major political and economic reforms aimed at increasing openness, empowerment, and inclusion. Economic reforms have included the unification of exchange rates, removal of a host of import and export restrictions, new legislation that provides greater autonomy for the central bank, and increased transparency including publishing the Government budget. The past years have seen a dramatic increase of political and civil liberties and a significant reduction in armed conflict. At the same time, new tensions and challenges have emerged, including outbreaks of violence primarily focused on the country's Muslim minorities. Despite such setbacks, the coming years offer opportunities to further deepen the reforms, including

in the 2015 parliamentary elections, which could become the country's first free and fair national election in 25 years.

Myanmar has also begun removing constraints on commerce, trade, and private enterprise that long held back the economy. Overall macro-economic performance has strengthened, with growth at 8.3 percent in 2013 (up from an average of 5.1 percent between 2005 and 2010), inflation down to 5.7 percent in 2013/14 (from 22 percent in 2008/09), and external debt down to 19.2 percent of GDP in 2013/14 (from 37.7 percent in 2008/09). However, major obstacles remain, including an underdeveloped financial sector, infrastructure gaps and limited capacities to manage shocks.

Sectoral and Institutional Context

Myanmar has a small and undeveloped financial system which does not effectively serve the financial needs (eg. savings, investment, credit, payment, insurance, risk management) of the economy. In 2013 bank deposits and credit provided by commercial banks accounted for only 25 percent and 12 percent of Myanmar's GDP, respectively, the lowest ratios in South East Asia. Although financial institutions in Myanmar have grown rapidly over the past four years due to the large demand for credit and increasing confidence in the banking system, the financial system as a whole still contributes only in a modest manner to economic growth and prosperity. Large segments of the population in both urban and rural areas as well as private sector firms remain underserved.

Relationship to CAS

The proposed operation will support the third pillar of the draft WBG's Country Partnership Framework for Myanmar (2015-), which calls for supporting a dynamic private sector to create jobs. Under the CPF, the WBG will seek to foster inclusive growth and a vibrant private sector by supporting institutions and investments that can foster a competitive private sector. This will include support to build modern financial institutions and markets, and foster trade, investment, and private sector job creation.

Financial inclusion is one of the key strategic areas of the World Bank Group (WBG) to help Myanmar reduce poverty and promote shared prosperity. Financial inclusion is critical for poor households and individuals as well as firms of all sizes in Myanmar. Expanding access to financial services will give poor people the opportunity not only to borrow but also to save and invest, securely and efficiently make and receive payments, and acquire insurance to protect themselves against adverse risks, such as sickness, ageing, unemployment, natural disasters or death of a relative. Moreover, financial inclusion will enable more local private firms and entrepreneurs to obtain financing to expand their business activities, increase their productivity, and create new jobs.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

Financial inclusion is a key priority in Myanmar's development agenda. As such, the Government of Myanmar has recently formulated Myanmar Financial Inclusion Roadmap (2015-2020) that aims at increasing the percentage of adults with access to basic financial services from 30 percent to 40 percent by 2020. The development objective of this IDA operation is to help increase access to financial services by the poor in Myanmar. To achieve this objective, the IDA operation will finance selected government actions, instruments, and activities, including:

- (i) Modernizing Financial Infrastructure
- (ii) Corporatizing state-owned banks

- (iii) Expanding Financial Products to serve the poor
 (iv) Strengthening the Legal and Regulatory Framework
Key Results (From PCN)

Achievement of the PDO will be monitored using the following results indicators:

Percent of adults with a savings or lending account provided by a bank, MFI or other licensed financial service provider

Percent of adults making financial transactions through their cell-phones

Percent of civil servants receiving their salary payments in a bank account

Commercial bank branches/Access points per 100,000 adults

Transformation of MEB into a self- sustainable financial institution with mixed gov. and private ownership and sound corporate governance

Training hours received by bank, securities, insurance and microfinance supervisors

All indicators will be gender disaggregated to the extent possible based on availability of information. The current baseline data available does not include gender-disaggregated data, but the upcoming Findex data will make the baselines available for the first time. The other components that focus on financial infrastructure and the legal and regulatory framework are expected to affect both women and men by increasing the overall access levels.

III. Preliminary Description

Concept Description

The IDA operation will support the execution of various government activities under the Financial Inclusion Roadmap 2015-2020 by providing financing and technical assistance to the Ministry of Finance and Revenue and the Central Bank of Myanmar, the two key public sector institutions driving the financial inclusion agenda. Additional on-time, small scale, technical assistance in the financial sector will be provided by the WBG to Myanmar through a proposed Programmatic Approach (to be discussed separately).

Resources of the IDA operation would be disbursed upon completion of a number of disbursement-linked indicators, following the approach taken in recent lending operations in Myanmar.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	200.00	Total Bank Financing:	200.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			200.00
Total			200.00

VI. Contact point**World Bank**

Contact: Jose De Luna-Martinez
 Title: Sr Financial Economist
 Tel: 5778+8343 /
 Email: jdelunamartinez@worldbank.org

Contact: Alexandra L. Drees-Gross
 Title: Senior Financial Specialist
 Tel: 5740+6588 /
 Email: agross@worldbank.org

Borrower/Client/Recipient

Name: Ministry of Finance and Revenue
 Contact: Sun Win
 Title: Advisor
 Tel: 0000
 Email: Sunwin.mofr@gmail.com

Implementing Agencies

Name: Ministry of Finance and Revenue
 Contact: Sun Win
 Title: Advisor
 Tel: (95-67) 410-532
 Email: Sunwin.mofr@gmail.com

VII. For more information contact:

The InfoShop
 The World Bank
 1818 H Street, NW
 Washington, D.C. 20433
 Telephone: (202) 458-4500
 Fax: (202) 522-1500
 Web: <http://www.worldbank.org/infoshop>