

Insights

MYANMAR - MYANMAR GOVERNMENT INTRODUCES ITS COVID-19 ECONOMIC RELIEF PLAN

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SUMMARY

Myanmar Government introduced its economic relief plan which sets out the proposed actions to be undertaken and actions already effected by the Myanmar Government and the ministries. The economic relief plan is intended to be a living document and further details and revisions are expected over the coming weeks.

On 27 April 2020, the Myanmar Government released its COVID-19 Economic Relief Plan (“**CERP**”). The CERP sets out seven goals, ten strategies, 36 action plans and 76 actions covering a broad range of extraordinary fiscal measures and policy responses. The CERP details proposed actions to be undertaken as well as actions effected by the Myanmar Government and the ministries so far. Each action is set out under the relevant goal and the ministry/authority responsible for each goal is named.

The seven goals of the CERP are:

- improving the macroeconomic environment through monetary stimulus;
- easing the impact on the private sector through improvements to the investment, trade and banking sectors;
- easing the impact on labourers;
- easing the impact on households;
- promoting innovative products and platforms;
- healthcare system strengthening; and
- increasing the COVID-19 Fund and the Contingency Fund.

In this news alert, we summarise the selected key actions (set out in the CERP) to be undertaken: (i) to promote further investment in Myanmar; (ii) to increase the funds available to the Myanmar Government; and (iii) in relation to private sector enterprises.

Promotion of investment

In order to promote current and further investment in Myanmar, three immediate actions are set out, namely:

- fast-tracking large private pipeline investments proposed and committed by reputable firms currently experiencing delays;
- reviewing of existing investment by: (i) prioritising “near-ready” projects; (ii) scaling up high impact projects and projects that are performing well; and (iii) restructuring and closing non-performing projects/assets to free up resources; and
- prioritising ready and high impact further investment with a focus on healthcare, key economic infrastructure and other strategic and ready projects listed within the Project Bank.

Under the CERP, the expedition of solicitation of renewable energy projects and strategic infrastructure projects will be carried out before the end of 2020. Furthermore, one of the action plans under the CERP is to call for investments via a simplified procedure to manufacture COVID-19/medical related products using currently vacant state owned factories under the Ministry of Planning, Finance and Industry (“**MOPFI**”).

The Myanmar Investment Commission (“**MIC**”) (with the assistance of the German Agency for International Cooperation (GIZ)) is also currently establishing an online platform through which investors can apply for MIC permits and endorsements. By removing the requirement to submit such applications in person, the system will no doubt be a useful tool for investors during the time of the pandemic and beyond.

Myanmar Government’s funds for COVID-19

The CERP also stated that the Government is looking to reallocate its 2019-20 budget as much as practicably possible (up to 10%) to finance its efforts to combat COVID-19.

In addition the Myanmar Government is seeking external development finance in the form of grants and concessional loans. So far Myanmar has secured a US\$50 million emergency loan from the World Bank to support improvements to hospital systems and public health emergency preparedness.

Parliamentary discussions on the budget allocation and obtaining foreign loans to finance the country’s COVID-19 response are expected once Myanmar Union Parliament resumes on 18 May 2020.

Private sector's access to funds

CERP also sets out a number initiatives to improve the private sector's access to funds. The COVID-19 Fund may be increased to MMK200-500 billion. The [COVID-19 Fund](#) was established on 8 March 2020 with a capital of MMK100 billion and hotel and tourism companies, small and medium enterprises and cut-make-pack business owned by Myanmar nationals are eligible to apply for loans from the COVID-19 Fund. On 28 April 2020, the Committee for Remedying Economic Effects of COVID-19 announced a [list of businesses](#) that have successfully obtained loans from the COVID-19 Fund.

MOPFI is also to set up credit guarantee schemes: (i) to provide a 50% guarantee for any new loans made by banks to enterprises with a turnover of less than MMK1 billion that do not have access to the COVID-19 Fund (conditional upon maintaining or rehiring staff as employed on 1 February 2020); and (ii) to provide government guarantees to firms in selected high-growth sectors (whose progress is judged to have been impacted by COVID-19).

The CERP also refers to an establishment of another MMK100 billion fund to be provided to designated banks to promote trade financing.

Banking and financial services

In order to assist the banks, the CERP targets the establishment of an asset management company (by the Central Bank of Myanmar and the MOPFI) which will manage the non-performing loans of the banks (to be set aside for 5-7 years).

Furthermore, promotion of the use of mobile payment services (including a commitment by the government to use mobile payment services where possible) and promotion of e-commerce and social commerce platforms are also set out as targeted actions.

Exemption of lease fees

The CERP also sets out as one of its action points exemption of lease fees (for 3-6 months) charged to firms that have leased state owned factories for manufacturing. This action is to be carried out by the MOPFI immediately.

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MEET THE TEAM



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