

# Banking and Financial Sector Development (BFSD) in Myanmar

<b>Programme name</b>	Banking and Financial Sector Development
<b>Commissioned by</b>	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ)
<b>Political Partner</b>	Ministry of Planning and Finance
<b>Other Partners</b>	Central Bank of Myanmar Parliament of the Republic of the Union of Myanmar Office of the Auditor General Yangon University of Economics Myanmar Accountancy Council Myanmar Banks Association Myanmar Institute of Certified Public Accountants Individual banks
<b>Duration</b>	Jan. 2017 – Dec. 2019

The bilateral programme is focusing on four, mutually reinforcing areas:

- Regulatory and supervisory framework for the banking sector
- Financial reporting practices in banks
- Human resource development in the banking sector
- Promotion of SME-Finance in partner banks

**Regulatory and supervisory framework for the banking sector:** GIZ aims at strengthening the Central Bank of Myanmar (CBM) and the Myanmar Parliament in creating and enforcing stable and enabling framework conditions for banks.

Activities to improve these framework conditions include:

- Supporting the development of human capacities in the Central Bank, especially in the regulation and supervision departments
- Providing specific and demand-oriented technical advice to CBM
- Strengthening the Parliamentary Committee on Banking and Monetary Affairs

**Financial reporting practices:** GIZ and the Banking Sector Financial Reporting Standards Implementation Committee (BFRIC) - comprising of the Office of the Auditor General, the Myanmar Accountancy Council, the Myanmar Institute of Certified Public Accountants, CBM and Myanmar Banks Association, aim at supporting the pilot banks to prepare their annual financial statements according to international financial reporting standards.

Activities in this area include:

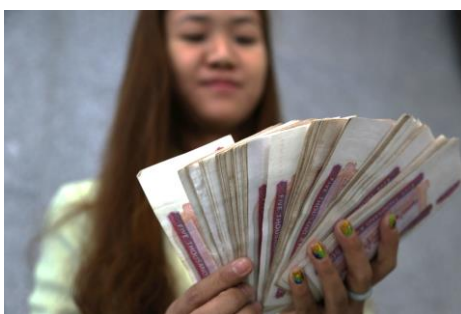
- Supporting partner institutions to develop and implement a Country Strategy and Action Plan in order to implement international financial reporting and auditing standards in the banking sector

## Opportunities and challenges

A more stable and inclusive banking sector is prerequisite for sustainable economic development. The banking sector in Myanmar is underdeveloped by international standards. Example given, in 2014 less than 25% of adults had a bank account in Myanmar. The financial intermediary ratio (credit to GDP) is with around 18% one of the lowest ones in the region. The current prohibitive regulation framework combined with the lack of skilled personnel restricts the banking sector in performing its principal role of financial intermediation. The limited access to sustainable and demand-oriented financial services is a major bottleneck in the development of the economy. This holds true in particular for small and medium-sized enterprises (SMEs) as they lack alternative refinancing options and also the knowledge and experiences of how to apply for a loan at a bank.

## Approach and key activities

The Banking and Financial Sector Development programme aims at supporting the Myanmar banking sector to be more transparent and more inclusive for small and medium-sized enterprises (SMEs).



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- Supporting the human capacity development of the involved stakeholders

#### Human resource development in the banking sector:

GIZ provides support to centralized training providers in order to develop the human resources in the banking industry, with a special focus on SME-Finance.

Activities include:

- Support the Myanmar Banks Association, the Yangon University of Economics and individual banks in the development of adequate and demand-oriented qualification and training measures for the banking sector
- Facilitating exchange and cooperation among banks and between SMEs and banks via regular Steering Committee meetings or dialogue facilitation between SMEs and commercial banks

**Promotion of SME-Finance in partner banks:** GIZ directly cooperates with the banking industry in building up adequate strategies, organizations, processes and products for SME-Finance.

Activities to support SME-Finance include:

- Supporting two partner banks (Kanbawza Bank, Yoma Bank) via international and national long-term consultants in developing tailor-made financial services for SMEs
- Sharing lessons learnt from the cooperation with partner banks with the overall banking sector

The cooperation with the other two GIZ projects which also support the sustainable economic development in Myanmar and the planned financial assistance project on SME Finance (to be carried out by KfW) is an integral part of the programme's layout. GIZ also actively cooperates with other development partners and private sector actors in order to leverage resources and create synergies.

## Achievements so far

- The volume of the SME gross loan portfolio of the three supported partner banks has increased twelve-fold during the previous project phase (over 15,000 SMEs have received a loan).
- One partner bank has been supported in setting up a loan recovery department resulting in a reduction of Non-Performing Loan portfolio.
- In cooperation with the Myanmar Banks Association (MBA) and its Myanmar Institute of Banking, Myanmar's first Certificate level course in 'SME Finance' was jointly developed. 15 local trainers were trained with the assistance of an international expert to conduct the one month course.
- The legal and regulatory framework in Myanmar's banking and financial sector was significantly improved by passing of a revised Myanmar Accountancy law in 2015 and a new banking law in 2016. GIZ supported the drafting of laws via technical advice to law makers, facilitating comments and translations, and exposing regulators to international best practices with study tours and workshops.
- A Country Strategy and Action Plan for implementing International Financial Reporting Standards (IFRS) was launched in 2015 by a committee of key banking sector stakeholders incl. the Central Bank, the Myanmar Accountancy Council, the MBA, the Office of the Auditor General and the Myanmar Institute of Certified Public Accountants. Implementation activities are on-going.
- GIZ delivered a series of IFRS transformation workshops in 2016 for Myanmar banks to start their IFRS transformation programme.
- The Yangon University of Economics' (YUE) Master of Banking and Finance programme could be upgraded in 2015, e.g. to include a didactical training programme offered to 30 lecturers of the University's Department of Commerce.
- GIZ (co)-published tools such as the GIZ-BFSD banking report 'Myanmar's Financial Sector - A Challenging Environment for Banks', the 'Collection of Papers on Myanmar's Financial Sector', the 'Trade Finance Manual', the 'Performance Management Handbook' or the 'Dictionary of Banking and Finance'.

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