

POVERTY ANALYSIS (SUMMARY)

1. One of the key development challenges faced by Myanmar is how to reduce poverty and inequality. To achieve this goal, it will be necessary to have a good understanding of the state and nature of poverty and inequality in the country, including where and who the poor are, and what causes poverty and vulnerability. This paper discusses the main findings of the Integrated Household Living Conditions Survey in Myanmar (2009-2010) and related studies,¹ and outlines their broad implications on poverty reduction strategies and policies in the country.

Poverty Level and Trends

2. The Integrated Household Living Conditions Survey (IHLCS) uses two measures of poverty incidence in Myanmar: (i) food poverty line which is based on consumption expenditure required to meet basic nutritional needs; and (ii) poverty line which adds a provision for non-food expenditure to the food poverty line. The survey data show the following:²

- Food poverty affects around 5% of the population compared to around 10% in 2005. Food poverty is more than twice in rural than urban areas, with rural areas accounting for more than 85% of total food poverty. The highest incidence of food poverty is in Chin (25%), Rakhine (10%), Tanintharyi (9.6%) and Shan (9%). Considering population, the major contributors to national food poverty incidence are Ayeyarwady (18.7%), Mandalay (16%), Shan (15.4%) and Rakhine (14.9%).
- Poverty affects around 25% of the population compared to around 32% in 2005 (see table showing trends in poverty incidence, 2005-2010). Poverty is twice as high in rural than urban areas, with rural areas accounting for nearly 85% of total poverty. The highest incidence of poverty is in Chin (73%), Rakhine (44%), Tanintharyi (33%), Shan (33%) and Ayeyarwady (32%). Considering population, the major contributors to national poverty incidence are Ayeyarwady (19%), Mandalay (15%), Rakhine (12%) and Shan State (11%).
- The same states/regions have the highest incidence of and contribution to poverty based on the two measures of the poverty line. Food poverty declined in all states/regions between 2005 and 2010. In contrast, poverty increased in Kayin, Yangon and Ayeyarwady during this period, with the increase being due to the rise in rural poverty.
- Three proxies for poverty were used to determine if their movements are consistent with the observed decline in the incidence of poverty: caloric intake, food share in consumption and ownership of small assets. The data on caloric intake and ownership of

¹ Ministry of National Planning and Economic Development, SIDA, UNICEF and UNDP. 2011. *Integrated Household Living Conditions Survey in Myanmar (2009-2010): Poverty Profile, Integrated Household Living Conditions Survey in Myanmar (2009-2010, Poverty Dynamics Report; Integrated Household Living Conditions Survey in Myanmar (2009-2010): MDG Data Report, Integrated Household Living Conditions Survey in Myanmar (2009-2010): Quality Report*; B.N. Tiwari, S. Rahman and Khine Tun. 2011. "Poverty, Food Insecurity and Vulnerability: Issues and Strategies (Myanmar)", Background Paper for Development Policy Options, Myanmar 2011. Yangon, Myanmar; Tin Maung Shwe. 2011. "Agriculture Development Issues and Strategies: Myanmar", Background Paper for the Development of Policy Options, Myanmar 2011. Yangon, Myanmar.

² The IHCLS for 2009-2010 was a follow up to the IHCLS conducted in 2004-2005. A similar format was used in both surveys to allow consistent comparison of results over time. Moreover, 50% of the sample households in 2004-2005 were retained in the 2009-2010 survey to facilitate the analysis of poverty dynamics.

small assets are generally consistent with falling levels of poverty, but those on share of consumption are not. Accordingly, the IHCLS states that: “In light of these conflicting results, caution is urged in the interpretation of data on poverty levels and trends, in particular the magnitude in the decline of poverty.”

Poverty, Inequality and Vulnerability

3. Two indicators of inequality are used in the IHCLS: (i) relative inequality—consumption share of the poorest 20%; and (ii) absolute inequality—consumption gap (difference between) the richest and poorest 20%. The survey data suggest the following:

- The consumption share of the bottom 20% has increased slightly from 11.1% to 12% between 2005 and 2010, with this trend being similar across all states/regions.
- The consumption gap between the richest and the poorest 20% has fallen between 2005 and 2010, with this trend being similar in most states/regions.
- Both relative and absolute inequality declined between 2005 and 2010, implying that lower income groups have increased their consumption faster than the higher income groups across the whole consumption spectrum.³

4. The IHCLS does not provide data broken down by ethnic and other groups; hence, detailed assessment of “horizontal inequalities”, i.e., among socio-cultural groups, cannot be made. However, the higher poverty incidence in Chin, Rakhine and Shan where most ethnic groups reside suggests that income distribution is skewed against these groups and the people in the rural areas of eastern Myanmar where local conflicts have prevailed for many years.

5. Another dimension of poverty is vulnerability, i.e., the capacity of a person or household to cope with risks. Low income households are usually the most vulnerable because while they are faced with a wide range of risks, they have very limited means to deal with such risks. Thus, people who are just above the poverty line could readily regress into poverty due to natural disasters or changes in economic conditions (e.g., slower economic growth, higher prices, lower levels of public services). To shed light on this phenomenon, the IHCLS examines changes in the poverty status of households over time and differentiates among households which (i) remain poor (chronically poor); (ii) enter into or escape from poverty (transitory poor); and (iii) remain non-poor. It found that transitory poverty is a significant aspect of poverty in Myanmar, being about three times higher than chronic poverty (28% vs. 10%).

Characteristics of the Poor—Poor vs. Non-Poor Households

6. The poor in Myanmar can be characterized according to such factors as demographic characteristics, economic activities of household members, access to water supply, housing and sanitation, health and nutrition, and education. The survey findings on these factors are summarized below.

- Poor households tend to be larger than non-poor households. Poor households have more economically active members, implying that poverty is not due to lack or absence of work but to low returns to work.

³ The IHCLS urges caution in interpreting the trends among the top 20% due to high standard errors.

- Most poor households are engaged in agricultural activities and/or whose members are employed as casual laborers. Poor households have smaller farm size (4.4 acre) than non-poor households (7.3 acres). Landlessness is much higher among poor households (34%) than non-poor households (19%).
- Poor households have less access to housing (32% vs. 59%), safe drinking water (62% vs. 72%), sanitation (72% vs. 84%), and electricity (28% vs. 55%) compared to non-poor households.
- Children of poor households tend to have less immunization coverage (76% vs. 86%) than those of non-poor households. Access to maternal health care of poor households (77% vs. 86%) is less than those of non-poor households.
- Poor households are likely to be less literate than non-poor households (84% vs. 93%). They have lower net primary (81% vs. 90%) and secondary (35% vs. 59%) enrolment rates, and lower educational attainment than non-poor households, with only around 22% of poor household heads having completed middle school or higher, compared to 40% of non-poor household heads. In rural areas where most of the poor live, 75% have only a primary education compared to 37% in urban areas.

Causes of Poverty

7. Three sets of factors have been cited as the major causes of poverty in developing countries, including Myanmar: (i) lack of income and assets to satisfy basic needs; (ii) weak economic, social and political power of certain groups leading to their exclusion from the benefits of development (see para. 4); and (iii) vulnerability to shocks (e.g., natural disasters like typhoon Cyclone Nargis and economic shocks such as adjustment in fuel prices) due to the limited coping abilities of persons, households and communities (see para 5).⁴ Among others, the lack of income and assets in Myanmar can be explained by the following:

- Inadequate economic growth due to gaps in economic policies leading to lack of technological progress in agriculture, small manufacturing sector, low value added from exports, macroeconomic instability, and untapped tourism potential.
- Underemployment which rose from 34% in 2005 to 37% in 2010, affecting rural and urban areas, poor and non-poor, male and female alike.
- Increasing family size in rural areas may have led to fragmentation of farm land and lower farm incomes, with 63% of farm households having less than 5 acres of land, and only 2.5% having more than 20 acres;
- Low return on physical assets due to low level of agricultural productivity, inadequate infrastructure support, price disincentives, and lack of diversified sources of income due to limited economic opportunities.
- Undue reliance on natural resource-based exports which has resulted in a narrowly-based development and inability to create increased economic opportunities for the majority of the population.

Implications on Poverty Reduction Strategies and Policies

⁴ B.N. Tiwari, S. Rahman and Khine Tun. 2011. "Poverty, Food Insecurity and Vulnerability: Issues and Strategies (Myanmar)", Background Paper for Development Policy Options, Myanmar 2011.

8. The foregoing discussion of the poverty situation and trends in Myanmar, including its underlying causes has important implications for poverty reduction strategies and policies in the country. Broadly, they include the following:

- Economic growth should be inclusive, which in the context of Myanmar means not only increasing the incomes of the poor, but also addressing the needs of disadvantaged and “excluded” groups, as well as reducing the income gap between the poor and non-poor. At the same time, it will be necessary to achieve higher, sustainable economic growth with macroeconomic stability to increase employment and income opportunities to a large segment of the population.
- Agriculture and rural development will be essential in reducing poverty in Myanmar, considering that a great majority of the poor live in rural areas and depend on agriculture for their livelihood, and that there are significant gaps in the well-being of rural compared to urban households. In this regard, it will be important to increase agricultural productivity and both farm and non-farm employment opportunities in the rural areas.
- Poverty is a multi-dimensional phenomenon, having income and non-income elements; hence, it will be necessary to pursue a multi-sector approach which not only increases income earning opportunities but also strengthens the capacity of the poor to participate and derive benefits from development (e.g., access to health, education and other basic services). This, in turn, requires a well-coordinated poverty reduction program in terms of planning, implementation and monitoring.
- Although the data show that poverty has declined at the national level, poverty incidence varies widely among regions and states, suggesting that poverty reduction strategies and policies should have a spatial component targeting the poorest areas such as Chin and other border states and regions.

**Trends in Poverty Incidence, 2005-2010
(Percent)**

State/ Region	Urban		Rural		Total	
	2005	2010	2005	2010	2005	2010
Kachin	37.7	23.4	46.8	30.6	44.2	28.6
Kayah	26.1	2.3	38.2	16.3	33.6	11.4
Kayin	7.8	16.8	12.5	17.5	11.8	17.4
Chin	45.9	52.1	80.9	80.0	73.3	73.3
Sagaing	21.9	16.0	27.4	14.9	26.6	15.1
Tanintharyi	20.8	16.7	37.2	37.5	33.8	32.6
Bago	30.7	19.0	31.8	18.2	31.6	18.3
Bago (East)	34.8	20.9	30.2	20.1	30.9	20.2
Bago (West)	23.1	15.6	33.8	15.9	32.6	15.9
Magwe	25.8	15.8	43.9	28.2	42.1	27.0
Mandalay	24.1	14.1	44.7	31.6	38.9	26.6
Mon	22.5	17.8	21.3	16.0	21.5	16.3
Rakhine	25.5	22.1	41.2	49.1	38.1	43.5
Yangon	14.4	11.9	17.4	28.7	15.1	16.1
Shan	31.0	14.1	50.5	39.2	46.1	33.1
Shan (South)	26.1	8.3	44.5	31.2	40.2	25.2
Shan (North)	34.7	16.3	55.0	43.1	50.6	37.4
Shan (East)	37.1	28.6	56.0	52.3	51.8	46.4
Ayeyarwady	24.4	23.1	30.3	33.9	29.3	32.2
Union	21.5	15.7	35.8	29.2	32.1	25.6

Source: Integrated Household Living Conditions Survey, 2004-2005 and Integrated Household Living Conditions Survey, 2009-2010.