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Reducing Poverty in Myanmar: the Way Forward

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Introduction



Economist and presidential adviser Dr. U Myint presents a paper at the government's 'Forum on Poverty.' Photo : Mizzima

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1. To reduce poverty in Myanmar, it may be useful to give consideration to the following five issues:

2. First, in order to go forward with poverty reduction, or more generally to go anywhere, we must know where we are at present. Hence, to improve the lot of the poor people in Myanmar we should start by having a clearer idea of who these poor people are, to find out what is their situation at present, and to listen to them about their needs and desires and what they feel should be done to help reduce their state of poverty. In addition, to get a better understanding of the situation of the poor people and to improve their well-being we must draw upon the vast experience of many of our compatriots in civil society organizations and NGOs, government officials, business people, scholars, academics and foreign experts and organizations that have done a lot of work related to poverty alleviation in the country, especially in rural and border areas and also with respect to meeting special needs of disadvantaged ethnic nationalities and other distressed communities in our society.

3. Second, after finding out where we are at present and where we want to go, the next step will be to think of how to get there. This means we must have a strategy to get us to where we want to go. In other words, to reduce poverty in a systematic and effective way we should have a *Poverty Alleviation Strategy*. Naturally, such a Strategy will be based on what the poor people tell us and insights gained from those that have dealt with poverty related issues in the country. Moreover, useful inputs for the strategy can be obtained from the experience of Myanmar's neighbours, and other countries both developed and developing throughout the world, that have embarked on poverty alleviation measures and programmes for many years. Likewise, we can benefit from the vast literature and store of knowledge on the subject available at the United Nations and other international organizations. As we all know, the United Nations has embarked on a major international initiative on poverty alleviation through its Millennium Development Goals (MDGs)² and to which Myanmar has given support and commitment. In light of all these, it is appropriate that we are now drawing up a new Poverty Alleviation Strategy for Myanmar, that will take advantage of new opportunities and respond to new challenges that are now emerging in Myanmar as well as in the world around us – a new Strategy that we believe will make a significant contribution to lift the poor people in the country out of poverty.

4. Third, after finding out where we want to go, and how to get there, the next step is to come up with what must be done to get to where we want to go. That is, the Poverty Alleviation Strategy will need to be put into operation by drawing up an implementation programme for the Strategy. Usually, such an implementation programme is referred to as an *Action Programme*. The Action Programme will have numerous projects that deal with specific issues and recommendations set out in the Strategy. The projects should have clearly defined objectives and targets, will be time bound, and must deliver outputs that are measurable or give clear indication that the poor people are indeed made better off. Time bound means the targets will have to be met within a specified time period. For example, a target can be set up such as the number of school age children not attending school in a certain village must be reduced by half within a certain period, say three years.

5. Fourth, there has to be *Monitoring and Review* of the implementation of the Action Programme. This is to make sure that the Programme is achieving its objectives, and if not, then why not, and what must be done so that the objectives are achieved. Hence, the implementation of the Action Programme will be monitored and kept under constant review

²United Nations, The Millennium Development Goals Report 2010 (New York: United Nations, 2010).

and immediate steps will be taken to determine the underlying causes if divergences occur between planned targets and outcomes. Divergences may be due to shortcomings in policies, implementation difficulties, or targets may have lost relevance to the needs of the country due to changed circumstances with passage of time. Those undertaking the review will report their findings and recommendations to the appropriate authorities of Myanmar for corrective action as required.

6. Finally, there is the question of what arrangements or mechanisms should be set up to take care of the four tasks outlined above. At present, a small Unit composed of a team of economists attached to the President's office, in close consultation with the relevant authorities of the Government of the Republic of the Union of Myanmar, will undertake these tasks. However, for a more comprehensive and effective response to the poverty issue, as well as to undertake economic reforms to get Myanmar back onto the mainstream of regional development, it is proposed that an independent, non-political, and legal institute of excellence – we can call it the Myanmar Development Resource Institute (MDRI) – be established. Like in other countries in the Asia and Pacific region, MDRI will have a Board of Directors and a Management and Executive Team headed by an Executive Director. We envisage MDRI to undertake policy research and to help plan and implement programmes and projects that will spearhead the economic and social reform process in Myanmar aimed at broad-based economic development, fueled primarily by the private sector, with the state playing a facilitating and support role, that makes efficient and sustainable use of the country's resources to substantially improve the standard of living and quality of life of all the people in the country.

7. The purpose of this paper is to provide some preliminary thoughts on concepts, ideas and issues brought out in the areas mentioned above for consideration and further action. The paper is organized as follows. After this introduction, section (I) gives a brief review concerning poverty and its measurement. Thoughts on a poverty alleviation strategy for Myanmar is presented in section (II). This is followed by ideas for an action programme for the Strategy in section (III). Finally, monitoring and review of the action programme and proposal for the establishment of the Myanmar Development Resource Institute (MDRI) are discussed in section (IV).

I. Poverty and its Measurement

(a) Defining poverty

8. To help people move out of poverty, we must know who these people are. And for that, we will need to have a definition of poverty. Many definitions exist. We will have to choose those that we believe are suitable for our country.³

9. In terms of what might be appropriate for Myanmar, and in fact for most developing countries, there are two ways to define poverty. The first is to find out if a household or a person has enough resources (money) to meet their basic needs. To do that the income or consumption of the household or the person is compared with some defined *poverty threshold (or poverty line)* below which they are considered to be poor. In this case, poverty is measured in money terms.

³For a good review of definitions and indicators of poverty – their strengths and weaknesses – as well as conceptual and statistical problems associated with their measurement, please see Haughton and Khandker, *Handbook on Poverty and Inequality* (Washington, D.C: World Bank, 2009).

10. The second approach is to go beyond the money measure and to think of poverty in terms of specific goods and services that are considered necessary to meet basic needs. So we can ask: do households or individuals in the country have enough food? Enough shelter? Enough clothing? Enough safe drinking water? Enough health care? Enough education? And so on.

11. Then some measures or indicators can be adopted to determine what we mean by “enough”. For food it could be for each person to have at least 2,100 calories from food consumed per day – the intake necessary to sustain life. With regard to shelter some people say it will not be enough for four people to live in a small room, in a hut with a thatched roof and a dirt floor. So a more appropriate dwelling is defined for a family depending on conditions prevailing in the country. Likewise with respect to clothing. Obviously, clothing appropriate for the tropics will not be appropriate for someone living in Alaska or the North Pole. A shirt on the back, a sarong or a *longyi* and a pair of sandals may perhaps be adequate for a person in Southeast Asia. As for drinking water, it is often recommended that the source of water should not be more than 15 minutes walking distance from the house to be considered adequate. On health, there are many indicators – percentage of underweight or malnourished children; infant mortality rate; access to clinics, hospitals and medical facilities; availability of doctors, nurses and midwives; incidence of major diseases such as HIV/Aids, Malaria, TB, etc;. The same is true of education, many indicators can be set up here as well – percentage of children dropping out after completing primary school; education level of head of household; whether schools and teachers are available in the village, and so on.

12. After setting up these indicators, how are those in poverty identified? One suggestion, specifically for youth, has been made by David Gorden, Professor of Social Justice at Bristol University in England. In this suggestion, seven operational indicators are defined. Then any young person living under conditions that are not able to satisfy any two or more of the indicators is considered to be poor.⁴

(b) Measuring poverty

13. After deciding upon a definition or indicator of poverty there is a need to measure it. There are three steps in the poverty measuring process.

14. The first step is to undertake a household survey, as all measures of poverty rely on such a survey. In addition to adopting appropriate statistical techniques in conducting the survey, the World Bank has a *Living Standards Measurement Survey* (LSMS) method that is widely used. The LSMS has three components. The household questionnaire asks about the household composition; consumption patterns; ownership of assets; landholding; income and employment; education and health status; etc. The *community questionnaire* asks community leaders (village elders and officials, teachers, health workers) for information about the whole community such as number of health clinics; access to schools; taxes collected; agricultural patterns; and so on. Finally, the *price questionnaire* collects information on prices of the relevant commodities and services.

⁴David Gorden, “Indicators of Poverty and Hunger”, Expert Group Meeting on Youth Development Indicators (New York: United Nations, December 2005). Two sets of 7 indicators, one set each for Deprivation and Severe Deprivation are set up for (1) Food; (2) Water; (3) Sanitation facilities; (4) Health; (5) Shelter; (6) Education; and (7) Information. For example, in the case of information – having no access to radio or television (i.e. broadcast media) at home would fall into category of *Deprivation*. But having no access to newspapers, radio, television, computers or phones at home (i.e. no information sources) would be considered as falling into the category of *Severe Deprivation*.

15. After getting information from the household survey, the next step is to construct a poverty line. Such a poverty line can be obtained by specifying a bundle or basket of food and non-food items that are considered necessary to meet the basic consumption needs and to estimate their cost. This cost estimate gives the poverty line.

16. There can be several poverty lines. For example, it is more costly to live in the cities and towns than in the villages, so most countries have one poverty line for urban areas and another for rural areas. Since food forms the major component in the consumption expenditure for the poor, a food poverty line is often calculated in addition to the overall poverty line that includes both food and non-food items. The poverty line will have to be adjusted as time passes. Inflation is one reason. The second reason is that as a country develops, the standard of living of the average person rises, and consequently the composition of good and services in the basket to determine the poverty line should also be adjusted to reflect this change.

17. Finally, after the poverty line is established, the extent of poverty in the country can be obtained by finding out the percentage of population with incomes or consumption expenditures below the poverty line. This is referred to as the *headcount poverty index* or *headcount poverty rate* and is a commonly used measure because it is easy to understand and to calculate. The result of measuring poverty in this way is also referred to as giving an indicator of *absolute poverty* in the country.

18. However, the poor can also be defined by comparing their income with a certain income level prevailing in society. For example, in the European Union, a household below 50 per cent of the median (or average) income in a country is considered to be poor. This is referred to as *relative poverty*.

19. For completeness, we should also at this point, make brief mention of inequality – a concept that is often referred to in discussing the poverty issue. However, inequality is a broader concept than poverty as it is defined over the entire population, and does not only focus on poverty.

20. The simplest and most common way to look at inequality is to sort out the population from the poorest to the richest and show the percentage of expenditure or income that can be attributed to each fifth (quintile) or each tenth (decile) of the population. Usually, the poorest quintile accounts for 6 to 10 percent of all expenditure, while the top quintile accounts for 35 to 50 percent.

21. A popular measure of inequality is the *Gini coefficient*. It can be calculated after obtaining the percentage of income or expenditure attributed to each quintile or decile as noted above. For example, the Gini coefficient can be calculated to measure the inequality of income distribution in a country. This coefficient can vary from zero, indicating perfect equality with every household earning exactly the same income, and one, where there is perfect inequality with a single household earning the entire income of the country. Regions in the world with the most uneven income distributions have Gini coefficient of around 0.5. In rich countries the coefficient is about 0.3.⁵

22. After a brief review of defining and measuring poverty, it will be useful to give a few examples of poverty lines. These are given below.

⁵The Gini coefficient is derived from the Lorenz curve, which sorts the population from poorest to richest, and shows the cumulative proportion of the population on the horizontal axis and the cumulative proportion of expenditure (or income) on the vertical axis.

23. In the USA in 2009 the poverty line for a single person under age 65 years was set by its Census Bureau at US\$11,161 per year; while the poverty line for a family of four, including 2 children, was set at US\$21,756.⁶ These result in a poverty rate of 14.3% for the country which in turns means 43.6 million people were in poverty in that year – the largest number of poor people in 51 years for which poverty estimates have been published in the United States.⁷

24. How about income inequality in the United States? Joseph Stiglitz has pointed out that in the USA at present 1 percent of the people take nearly a quarter of the nation's income. Twenty five years ago, their share was 12%. Moreover, while the top 1 percent have seen their incomes rise 18 percent over the past decade, those in the middle have actually seen their incomes fall and all the growth in recent decades has gone to those at the top.⁸

25. China, like other countries, has been making upward adjustments to its poverty line as the economy grows and living standards improve. However, there has been criticism that these adjustments have not kept pace with the rise in the average standard of living or are in conformity with international practice. For example in 2006, the poverty line was set at 680 yuan (US\$85) per person per year. This results in 23.65 million people living below the poverty line. But if the internationally accepted practice at that time of “a dollar a day” was used to define poverty, the poverty line will rise to (US\$365) per year, which in turn will cause 120 million to 130 million of the Chinese population to fall below the line. So the conclusion is drawn that “the 23.65 million below the Chinese poverty line are actually people living in abject poverty and even food, clothing and shelter are a problem for them, and the remaining 100 million poor not categorized as poor will not get the help they need.”⁹

26. The controversy over the poverty line rose again in China recently. In 2011, the line was raised from 1,169 yuan to 1,500 yuan (US\$175 to 230) per year. This tripled the number of poor people from 26.88 million to about 100 million. Nevertheless, scholars and politicians criticized the poverty line increase as too small and felt it should at least be raised to 2,400 yuan – double the prevailing figure. It was noted that over the period 1985 to 2010, China's GDP increased 50 times while the poverty line rose by only 5 times.

27. The poverty line demarcation has been a sensitive issue in China. The central government prefers a modest increase in the poverty line as a large increase will mean there will be an embarrassingly large rise in the number of poor people in the country. On the other hand, local authorities want a large increase, leading to a larger number of people falling below the poverty line and hence an increased inflow of subsidies and other assistance into their area. As for ordinary people, they also want the poverty line to rise quickly and sharply as that would increase their chance of being designated as poor and

⁶US Census Bureau, *Poverty Thresholds for 2009 by Size of Family and Number of Related Children Under 18 Years*.

[<http://www.census.gov/hhes/www/poverty/data/threshld/thresh09.html>]

⁷USA Today, “Number of people in poverty reaches highest level in 51 years,” 16 September 2010.

[http://www.usatoday.com/news/nation/census/2010-09-16-poverty-rate-income-numbers_N.htm]

⁸Joseph Stiglitz, “Inequality: Of the 1%, by the 1%, for the 1%”, *Vanity Fair*, May 2011.

[<http://www.vanityfair.com/society/features/2011/05/top-one-percent>]

⁹China Daily News, “Official: China's poverty line too low”, 23 August 2006.

[http://www.chinadaily.com.cn/china/2006-08/23/content_672510.htm]

thereby qualify them to receive benefits from the poverty alleviation programme on which from 1980 to 2007, China is reported to have spent 160 billion yuan (US\$23.9 billion).¹⁰

28. In Vietnam the government has announced new poverty standards for coming five years (2011 to 2015). The new poverty lines, used to decide eligibility for social welfare benefits, have now been set at VND400,000 (US\$20.5) per person per month for rural households and VND500,000 (\$25.05) per person per month for urban households. The government's report also stated that the number of families living below poverty lines fell from 22 percent in 2005 to 9.45 percent in 2010.¹¹ Under the new poverty standard, Hanoi is forecast to have 114,636 poor households in 2011, accounting for 9.6% of the total population in the city. The city will spend VND5 trillion (\$256.41 million) from the municipal budget to support the poor and near-poor people during 2011 – 2015 with the aim to cut its poverty rate to 2% by 2015.¹²

29. Aside from national poverty lines, there is an international poverty line that has received a lot of publicity. In the past it was set at “a dollar a day” for each person. Then in 2008, it was revised and the new measure of world poverty was set at US\$1.25 (in 2005 purchasing power parity US dollars).¹³ By this standard, it has been estimated that there were 1.38 billion poor people in the world in 2005.

(c) Why measure poverty?

30. A lot of time, effort and money are required to get a reasonably good and credible measure of poverty. Many difficult conceptual and statistical problems will have to be dealt with in the process. So why measure poverty? There are four reasons.

31. First, a poverty measure helps focus attention of policy makers on the conditions of the poor and thereby keep these poor people on the development agenda. For instance, saying “18 million people which form 21% of the population are in abject poverty and are having great difficulty in making ends meet” will send a powerful signal to the policy makers that something has to be done about them.

32. Second, a poverty measure helps to identify the poor that needs help. A poverty profile is useful in this regard. The profile provides information on the pattern of poverty and how it varies with respect to geography (such as rural/urban), community aspects (whether the community has a school or a clinic) and household characteristics (such as its size, and educational level of the head of household). Having such information enables better targeting of aid and especially to ensure aid is given to those who need it most.

33. Third, a poverty measure is needed to monitor and evaluate outcomes of projects and policy interventions undertaken to reduce poverty. This is important. There must be a measure or an indicator to show how, in what way, and to what extent, the projects and policy reforms that have been undertaken to reduce poverty have actually improved the well-being of the poor.

¹⁰Global Times, “Poverty line seen as too low” [<http://english.sina.com/china/p/2011/0303/362572.html>].

¹¹ [<http://www.thanhniennews.com/2010/Pages/20110204174748.aspx>]

¹² [<http://www.ngocentre.org.vn/news/vietnam-hanoi-announces-new-poverty-line-2011-2015>]

¹³The purchasing power parity (PPP\$) of a country's currency is the number of units of that currency required to purchase the same representative basket of goods and services (or a similar basket of goods and services) that a US dollar would buy in the United States. See UNDP, *Human Development Report* 1997, p. 239. To give an illustrative example in simple terms, suppose a basket of 6 commodities and services consisting of a liter of petrol, a kilogramme of rice, a liter of cooking oil, a kilogramme of chicken, a haircut at the barbershop and bus fare for city travel for a distance of one kilometer costs a total of Kyats 20,000 in Myanmar and the same or similar basket of 6 commodities and services costs \$40 in the United States, then PPP\$1 = 20,000/40 = Kyats 500. For technical details involved in establishing the PPP\$, see World Bank, *International Comparisons Program, ICP 2003 – 2006 Handbook*.

34. Finally, a poverty measure is required to evaluate the effectiveness of initiatives undertaken by institutions to reduce poverty. For example, the Cooperative Ministry may set up farmer organizations to provide rural credit or the Ministry may help poor village people to form consumer societies to enable them to buy essential commodities at reasonable prices. Success of these ventures can be demonstrated by coming up with credible and believable evidence that rural credit provided by the farmer organizations and bringing cheaper food and other essentials by forming consumer societies have enabled a certain percentage of farm households to rise above the established poverty line. Such evidence will restore faith and confidence in the cooperative movement and enable it to play an important role in addressing the poverty issue in the country.

II. Thoughts on a Poverty Alleviation Strategy for Myanmar

35. *Significant departure from past:* Poverty can be politically sensitive for a country as mentioned above. In Myanmar it has not received the attention it deserves for some time. The fact that the new government is taking up the problem of the country's poor in its first important venture in the economic sphere represents a significant departure from the past. Stakeholders from a wide range of Myanmar society are taking part. These include high level policy-makers, government officials, representatives from local civil society organizations and NGOs, business people, academics, and members of the mass media. Such a gathering of participants to review, exchange views and recommend action to address the poverty issue, which is a matter of deep concern to the people of Myanmar, provides a good opportunity to show that the country is adopting a fresh approach in dealing with its economic and social problems.

36. *Basic principles:* We are undertaking this fresh approach with respect to the poverty alleviation strategy for Myanmar in accordance with the President's policy statements made in his inaugural address to the Pyidaungsu Hluttaw on 30 March; his address to the members of the Union Government, and heads of Union level organizations on 31 March; and the speech he delivered to members of Union level organizations, Chief Ministers of Regions and States and Union Deputy Ministers on 6 April 2011.¹⁴ In these statements, the President emphasized transparency, accountability, good governance, rule of law, as well as the need to deal with corruption, cronyism and widening gap between the rich and poor. These are critical issues facing Myanmar at present and the declared intent to deal with them is a fresh outlook and a good beginning not only in respect of addressing the poverty alleviation issue but for other important initiatives in the nation building task that the government will be embarking on in the months and years to come.

37. These positive policy announcements from the President immediately upon assuming his duties have raised hopes and expectations. Naturally, while there has been cautious optimism, doubts and concerns have also been expressed regarding the political will and capacity required to implement the new policy measures. These are valid concerns. Hence, there is a clear need to follow up with concrete action to dispel the doubts. Poverty alleviation is one area where there are good prospects to take on such a challenge. The plight of the poor in the country is getting wider recognition. Political will to do something about it is growing. Myanmar's favourable resource base, especially the country's agriculture, food, fishery, and animal husbandry potential, has the capacity to cater to the

¹⁴*New Light of Myanmar*, "President U Thein Sein delivers inaugural address to Pyidaungsu Hluttaw", (Naypyitaw, 31 March 2011); *New Light of Myanmar*, "President U Thein Sein speaks to members of Union Government, heads of Union level organizations", (Naypyitaw, 1 April, 2011); and *New Light of Myanmar*, "With every citizen being able to work, they will earn income, thereby contributing to the growth of GDP", (Naypyitaw, 6 April 2011).

basic needs of the poor. These provide a good basis to draw up a poverty alleviation strategy and an action programme for the strategy.

38. *Greater transparency and accountability:* In order to get good results from a poverty alleviation strategy, or for that matter, in undertaking any economic reform measure, there is an obvious need for greater transparency and accountability. This applies particularly to economic advisors.

39. In the past, there is a tendency for academics and researchers to engage in self-censorship in preparing studies and in expressing views and comments about economic and social issues in the country. Now that prospects for greater openness and transparency are much brighter with the presidential policy announcements, academics can be expected to become more honest with themselves. Honesty and transparency are essential to gain trust and confidence of the people in the country. And winning the trust and confidence of the people, and to have their understanding, cooperation, and support in whatever we do, is a vital first step and is crucial for success of anti-poverty and other economic reform measures.

40. The desirability for more openness and transparency in our approach to poverty alleviation can be further illustrated by taking note that even the United States, the most powerful and one of the richest nations and with the biggest economy in the world is now saying according to poverty standards it has set up, 43 million people in the country are poor and one percent at the top owns a quarter of the country's income.¹⁵ Keeping this in view, there should be no reservation or uneasiness in saying Myanmar also has poor people and their problems need to be fixed.

41. *Inclusive approach:* In trying to fix the problems of the poor in Myanmar, most of them are in the rural sector and a pro-poor agricultural development strategy will go a long way in meeting the needs of the poor in the country. However, as we all know, there are non-rural poor in any country. In Myanmar, aside from urban poor, there are geographically disadvantaged poor, ethnic nationality related poor, and poverty and distressed communities due to unsettled conditions like in some border areas. These people need help and special programmes to meet their specific needs should form an integral part of the poverty alleviation strategy.

42. In this regard, the urban poor raises interesting issues. Most of them come from poor farm families to seek a better life in cities and towns. However, they maintain strong links with their village. The meager incomes they earn go largely to meet their living costs in the city but whatever little savings they have are sent back to support their families in the village. So creating better employment and earning opportunities for the urban poor could also be helping the rural poor as well.

43. *Pragmatic way:* The pragmatic way of doing things is recommended for the poverty alleviation strategy. The pragmatic way goes something like this: What's the problem? Let's solve it. How do we do it? Let's do what works. How hard are we working for the good of the people? That's not important. What's important? What's important is what we have actually delivered to the people.

¹⁵Please see paragraphs (23) and (24) on page 5 above.

44. Useful insights regarding the pragmatic way can be obtained by looking at China's experience. In China, agricultural reforms such as setting up private plots and selling products in the market were initiated by farmers themselves. Deng Xiaoping, the architect of China's economic reforms, said he only gave official OK to what was already happening in the countryside. Similarly, another key move to deal with rural poverty was the setting up of town and village enterprises (TVEs). The process was described as "leave farmland but stay in countryside." Hundreds of thousands of TVEs, owned by towns and villages, were set up. They consisted of small enterprises in processing, construction, transport, repair, catering, and other services which created jobs for millions of people no longer needed on the farm. Reforms started in 1979 and by 1986 TVEs employed 21 percent of the rural labour force and produced over half the value of rural output.

45. Deng was amazed at the ability and resourcefulness of farmers and villagers who were able to fund, set up, manage and run these enterprises so effectively. Deng admitted he never expected TVEs to take-off the way they did. Lesson from this: we should not underestimate what our people can do. Instead of interfering and telling them what to do, more attention, time and effort should be devoted to help them do what they know is in their own best interest. That is believed to be a good way to proceed with the poverty reduction strategy.

46. *Nature and causes of poverty:* The nature and causes of poverty are complex and diverse but very important in drawing up a poverty alleviation strategy. Thus, people may be poor because: (a) they have not been able to acquire essential assets and capabilities as they live in remote or conflict-prone, or resource-poor areas; (b) they are vulnerable because of age, ill health, unhealthy living environment, and poor working conditions; (c) economic stagnation has limited their opportunities for productive employment; (d) they are denied access to assets or services because they belong to an ethnic minority group, or simply because they are female, disabled, or just different; and (e) the country faces a situation of gross inequality as a result of vested interests and poor governance.

47. *Growth and poverty:* Experience of East Asian economies that reduced incidence of poverty by half in two decades has often been pointed out that robust growth can reduce poverty.¹⁶ This is because growth increased demand for labour. As employment rose, wages and incomes increased. In the East Asian case, a large number of women also joined the labour force. This not only raised their status but had important consequences for poverty reduction. In fact, the relationship between growth and poverty in a rapidly growing economy is a two way street. High growth increases labor demand and wages, which reduces poverty. On the other hand, reduced poverty and better earnings lead to increased labor productivity, which promotes growth. Growth also improves public revenues. This enables the government to spend more on physical and social infrastructure, which helps reduce poverty and at the same time improves the country's productive potential.

48. *Sound macroeconomic policies:* While high growth can be good for poverty reduction, broad-based, labour-utilizing growth is even better. This type of pro-poor growth requires sound macroeconomic management and policies that encourage steady growth in employment. Thus, sound macroeconomic management encourages productive domestic investment and by keeping inflation low protects real incomes of the poor. It also helps prevent interest and exchange rate maladjustments that reduce the cost of capital and discourage the use of labour. Moreover, good public expenditure management is necessary

¹⁶These are the *Asian Newly Industrializing Economies* or the *Asian Tiger Economies* consisting of Hongkong, Singapore, South Korea, and Taiwan.

for fiscal discipline, economic growth, and equity. More equitable growth that promotes the welfare of the poor can be achieved through an effective, progressive tax system and adequate allocations for basic education, primary health care, and other public services. Proper regulation and supervision of the financial sector is needed to protect depositors, enhance competition, increase efficiency, and expand availability of financial resources for all members of society. In short, a sound macroeconomic system will require getting rid of “market-distorting interventions”, especially overvalued official exchange rates, and import and export licenses that restrict trade.¹⁷

49. *Good Governance:* Good governance is extremely important for poverty reduction. It not only helps establish sound macroeconomic management but ensures these policies are implemented. More specifically, it enables the transparent use of public funds, encourages growth of the private sector, promotes effective delivery of public services, and helps to establish the rule of law. It has been noted that public sector inefficiency, corruption, and waste leave insufficient resources to support public services and targeted antipoverty programmes. However, denial of basic services to the poor is not just a matter of lack of investment. Often, it is the result of (a) institutional structures that lack accountability;

(b) domination by local elites; (c) widespread corruption; (d) culturally determined inequality; and (e) lack of participation by the poor. Where such problems exist, systemic changes are needed to move from poor governance to government accountable to the poor. However, such changes are usually difficult to bring about, since existing arrangements that exclude the poor reflect prevailing economic and power inequalities. Yet unless these issues of inequality are tackled, it will be difficult to raise living standards of the poor.¹⁸

50. *Social development:* Economic growth must have a wide-ranging social development programme to reduce poverty. Several key areas have received emphasis. Among them human capital development tops the list. Human capital is the main asset of the poor and its development is crucial for poverty reduction. Hence every person must have access to basic education, primary health care, and other essential services. Without these, the poor and their children will have little opportunity to improve their economic status or even to participate fully in society. Another key component is social capital development that increases the opportunities of the poor to participate in the various activities of society. The promotion of community-based groups to undertake microfinance, health, and natural resource management is a useful way to develop social capital. Finally, social protection is another area that has received considerable attention to reduce poverty. As the poor form the most vulnerable segments of society, social protection programmes that provides assistance to better manage risks and ensure economic security are of special relevance for them. Such programmes include old age pensions; unemployment and disability insurance; and social safety nets to cushion the adverse impacts of disasters, economic crises, or civil strife.

51. *State of poverty and its indicators:* Like in other countries, household income and expenditures surveys have been conducted in Myanmar over the years. From these several poverty indicators have been estimated. As stated in section (I) of this paper, such indicators help draw attention and to highlight the needs of the poor in the development agenda. As the incidence of poverty varies markedly in terms of geography, ethnic nationality, and cultural and social backgrounds of various communities in any country, well

¹⁷ Asian Development Bank, *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy* (Manila: Asian Development Bank, 2004). [http://www.adb.org/Documents/Policies/Poverty_Reduction/Poverty_Policy.pdf]

¹⁸ Ibid.;

designed and reliable poverty indicators will help target assistance to the poor people who need it most. These will be discussed more fully in the next section on the Action Programme.

52. *Decentralization*: As incidence of poverty varies markedly across the country (and even within an area or a community) the State and Region governments established under the provisions of the new constitution offer fresh opportunities for a more decentralized approach in dealing with the problems of the poor. In this context, the President has stated:

“The system has changed and so has the era. ... Instead of using the centralized system, a system should be adopted in which organizations at the lower level are responsible to upper level organizations at every stage.”¹⁹

53. Since local conditions vary across the nation and have a large impact on poverty, such a mandate for a more decentralized approach would be very useful for the poverty reduction strategy. This is because local authorities have an intimate knowledge about conditions in their areas. So their insights and perceptions of the needs and desires of the poor people in their society would help ensure a poverty alleviation strategy that meets the priority concerns of such people.

54. *Role of local civil society organizations, NGOs, INGOs and foreign experts and international organizations*: Their role in poverty reduction has already been briefly highlighted in the introduction to this paper. We would like to reiterate here that their expertise, experience and commitment to meet the needs of the poor, regardless of who these poor people are, and where they live, mean their support and cooperation will be crucial not only in designing a poverty alleviation strategy, but more importantly, in implementing the action programme for the strategy. Some preliminary thoughts on a few specific areas where their involvement and assistance will have a good impact are touched upon in the next section.

55. *Multidimensional nature of poverty*: Poverty has many dimensions. According to OECD Development Assistance Committee (DAC), poverty is stated to encompass:

“different dimensions of deprivation that relate to human capabilities including consumption and food security, health, education, rights, voice, security, dignity and decent work. Poverty must be reduced in the context of environmental sustainability. Reducing gender inequality is key to all dimensions of poverty.”²⁰

56. In the presentation of thoughts on drawing up a poverty reduction strategy for Myanmar in the paragraphs above, a number of issues that may need to be taken into consideration have been listed. The list is not exhaustive. Many more could be added. However, for the purpose of the current workshop, with a time limit of two days, it is obviously not possible to take up all the dimensions of poverty that have been listed. Priorities therefore will need to be set, and a decision has to be made on what should be discussed in this workshop. The choice made and mandate given is to take up the subject of agriculture and rural development and its importance in poverty reduction. This is a good choice. After all, the majority of the people of Myanmar are in the rural sector and most of the poor are also in that sector. However, although this workshop will take up agriculture and rural

¹⁹*New Light of Myanmar*, “Having been entrusted with tasks and vested with powers, Union level ministries and Region/State ministries need to work with initiative, dynamism and conviction without waiting for any exhortation”, (Yangon, 7 April, 2011).

²⁰OECD, Development Assistance Committee (DAC), “Guidelines on poverty reduction” (Paris: OECD, April 2001).

development, a series of workshops and seminars will follow on a range of topics where poverty alleviation will continue to receive considerable attention. These include workshops in the fields of education, health, macroeconomic reforms, social development, industrialization, trade and financial sector development, and environmental issues. With the understanding that such a series of workshops will follow the present one, as well as to fulfil the mandate that has been given, ideas on a programme of action for poverty reduction with respect to agriculture and rural development in Myanmar, is presented in section (III) below.

III. Ideas on a Programme of Action for Poverty Reduction with Special Reference to Agriculture and Rural Development

57. *Objectives:* There are two:

First, in taking up agriculture and rural development for the purpose of the poverty alleviation action programme, effort must be devoted to looking at the state of agriculture and how it has progressed over the years. This is certainly important. Agricultural is the mainstay of the economy of Myanmar, and a good agriculture performance is good for the country. But it has long been recognized that in addition to looking at state of agriculture, there is a need to look at the state of farmers as well. The programme of action will attempt to fulfil this need.

The second objective is to draw up and implement the action programme in line with the new policy guidelines announced by the President. This is to show that concrete action can be taken to follow-up on the President's new policy measures, as well as to get an idea about the extent to which these can be pursued, the constraints that may emerge, and the capacity and political will required to overcome them. The people of Myanmar and the international community have a keen interest on these issues and it is the aim of this workshop to take up these issues and to try to shed some light on them.

58. *State of poverty in Myanmar:* The desirability of having a properly defined concept of poverty and its measurement has been presented in section (I) of this paper. Central Statistical Organization (CSO) of the Ministry of National Planning and Economic Development has conducted household income and expenditure surveys for a very long time. The Planning Department of CSO in cooperation with UNDP has also undertaken several useful studies on Integrated Household Living Conditions Assessment (IHLCA). The data on the conditions of the poor and the poverty profiles for the whole country and the states and regions contained in these reports will provide a good basis in formulating and implementing a poverty alleviation strategy for Myanmar. However, these are technical reports, and those completed recently have yet to be launched. Hence, at this time we merely wish to mention that in keeping with international practice, poverty indicators have been established for Myanmar and they will be used as appropriate in the poverty reduction strategy. Due to their technical nature, care has to be exercised to make sure that the indicators are properly understood. It is best to leave the presentation and interpretation of the IHLCA results to the experts and the relevant Myanmar authorities that have prepared the reports.

59. *Role of government ministries:* Government ministries and departments will play the key role in implementing the action programme for poverty alleviation. In addition to giving a brief account of activities in the respective sectors in which they are engaged, the focus

should be on what has been done to meet the needs of the poor in their spheres of work, achievements made, problems encountered, and suggestions and plans for the future. Considerable amount of thought and planning may be required to fulfil such as task. Hence, the ministries may wish to present some preliminary ideas on these questions at this workshop and then to follow up with plans for more concrete action in subsequent seminars and workshops in their respective sectors.

60. *Poverty Reduction Strategy Paper (PRSP) process:* One useful approach for ministries and departments for a more focused and effective way to reduce poverty is to adopt the PRSP process which is widely used in many countries. The process begins by key decision-makers and administrators in the country taking an active leadership role in preparing the PRSP. As such, the initiative to reduce poverty is local and not imposed from outside, which in turns helps ensure it is “need” rather than “donor” driven. Poverty is then measured, and is followed by an analysis of its dimensions and causes. Based on these findings, an extensive dialogue takes place about what needs to be done to reduce the number of poor people in the country. This enables the PRSP process to choose government actions and programmes that have the greatest impact on poverty, to identify indicators of progress and monitor change in a systematic manner. Many developing countries in Asia and Pacific region as well as in other parts of the world, in close cooperation and support of IMF, World Bank, ADB, UNDP and other international organizations have pursued this approach in a wide variety of areas to reduce poverty. It is recommended that Myanmar should join its neighbours in adopting the PRSP process to gain useful insights and to be more effective in implementing its poverty alleviation strategy.²¹

61. *Rice issue and poverty:* There are two issues concerning the role of rice in poverty alleviation in Myanmar. The first has to do with ensuring food security for the poor by making sure that there is sufficient rice on the local market that can be bought at prices they can afford. The second is to restore Myanmar’s traditional role as a major rice exporter in the world which can have a major impact on improving the well-being of the rural population. Hence, rice will be a key issue in the action programme for poverty reduction. Moreover, a serious effort to follow up the new policy measures announced by the President can be adopted in dealing with the rice issue. This will not only benefit the poor but will help initiate a process of economic reform that will benefit the whole nation. Hence the rice issue, for both domestic consumption and export, that can be taken up in the poverty reduction action programme, are presented below.

62. *Rice and domestic food security:* As we all know, rice is the staple food of the people of Myanmar. At this point, it will be useful to recall a generally accepted principle in economics, known as Engel's Law, which states that for any country or society, a family at a lower level of income devotes a larger proportion of its expenditure to food. Then with rising incomes, the share of food declines while there is a corresponding increase in the share of other items such as housing, consumer durables, transport, education, health, recreation and family welfare services. According to surveys conducted by the Central Statistical Organization food takes up a very large share, amounting to 72% of total consumption expenditure of an average family in Myanmar. Of this total food expenditure, about a fifth is devoted to buying

²¹The World Bank has undertaken PRSP related activities in 67 countries. See World Bank, Board Presentations of PRSP Documents (as of June 2, 2010) [<http://siteresources.worldbank.org/INTPRS1/Resources/boardlist.pdf>] See also David Craig and Doug Porter, “Poverty Reduction Strategy Papers: A new convergence. What does it miss, and what can be done about it?” Regional Conference on National Poverty Reduction Strategies, Organised by World Bank, UNDP, IMF and ADB. Hanoi, Vietnam, 4-6th December 2001.

rice.²² In the countryside and villages, the share of food (and especially rice) in total consumption expenditure is higher. This is particularly so in the rural areas of Chin State where food accounted for 76% of total household consumption expenditure with the share of rice in total food expenditure coming to roughly a quarter.²³ Compared to this, the proportion spent on food for an average household in a developed country like the USA is around 14%.²⁴ Not only in a developed country, in no other country in the Asian region does an average family devote such a high share of household consumption expenditure to food as in Myanmar. In Japan the share of household consumption on food is 23%, in Thailand it is 32% and in Malaysia, 37%. The share spent on food is lower in other least developed countries as well. For example, in Bangladesh the share is 52%, in Cambodia 57% and in Laos 61%.²⁵

63. The large percentage spent on food indicates a low level of income. The income level of the average household must be substantially increased so that the family has enough to spend on other items that are considered desirable in any modern developed society. Of the large share spent on food, the largest chunk of this, amounting to 20% to 25% is spent on rice. Hence, bringing rice on the domestic market at affordable prices will go some way in easing hardships of the poor people in Myanmar.

64. *Restoring Myanmar's traditional role as a major world rice exporter*: The proposal for restoring Myanmar as a major rice exporter in the world received strong support at the Roundtable and Development Forum Meeting, held at Naypyitaw on 15 December 2009. The specific mandate charged for the meeting was to suggest policies, programmes and projects that Myanmar may wish to give consideration and to pursue with respect to enhancing rural economy and poverty reduction.²⁶ The participation of Professor Joseph Stiglitz, a world famous American economist, as a principal speaker and a member of the panel of experts, attracted a lot of local and international attention. The reasons for recommending Myanmar to regain its status as a major rice exporter by the meeting were as follows:

²² Central Statistical Organization, Statistical Yearbook 2002 (Yangon: CSO, 2002), table 22.04, p. 423.

²³ Ibid.; table 22.05; p. 431.

²⁴ The distribution of household spending in the United States in 1995 was as follows: Housing (32.4%), Transportation (18.6%), Food (14%), Personal insurance and pensions (9.2%), Health care (5.4%), Apparel and services (5.3%), Entertainment (5%) and Other expenditures (10.1%). See United States, Bureau of Labor Statistics, Distribution of Household Spending, 1995 BLS Consumer Expenditure Survey [<http://www.nnfr.org/econ/bls95.htm>]. Three decades earlier in 1963, the share of food and beverages in the household consumption expenditure in the United States was 25.2% and the share fell to 17.5% in 1981. See Eugene A. Diulio, Money and Banking (New York: Schaum's Outline Series, McGraw-Hill Book Company, International Editions, 1987), p. 19.

²⁵ For the latter half of the 1990s, the share of food and beverages in the household consumption expenditure of countries in the Asia and Pacific region were as follows: Singapore (14%), Japan (23%), Taiwan (24%), Hong Kong (26%), Republic of Korea (27%), Thailand (32%), Malaysia (37%), Sri Lanka (41%), China (44%), Mongolia (45%), Philippines (47%), Bangladesh (52%), India (54%), Pakistan (55%), Cambodia (57%), Indonesia (59%), Nepal (61%), Laos (61%), Viet Nam (62%), North Korea (65%), and Myanmar (71%) [Source: SSII, Asian Agrifood Demand Trends to 2010].

²⁶ U Myint, "Professor Stiglitz and Roundtable and Development Forum Meeting, held at Naypyitaw, 15 December 2009: Comments and Follow-up Action". This paper was presented at a press briefing at Myanmar Egress Capacity Development Centre, Thamada Hotel, Yangon, on 9 January 2010. Sixty-five representatives from 28 domestic and foreign media agencies and organizations attended the briefing. The paper is available at [http://www.irrawaddy.org/web_images/U-Myint-Stiglitz.pdf]

- Rice is the mainstay of the agricultural economy and provides livelihood for the majority of farm families;
- Reintegration of the rice farmer and the country's rice industry into the world rice market will provide incentives to increase both the quantity and quality of rice and thereby leading to higher incomes and employment opportunities for the rural community;
- Such reintegration of Myanmar's rice industry into the world market will mean increased international competition for local participants in this industry. Veteran rice dealers in the country with vast knowledge and experience in the industry will survive and thrive in the competitive environment. Others, who know little about the rice business, but who are making huge fortunes based on special favours will have to mend their ways, or else they will not survive and will go out of business. This will level the playing field in the industry which is essential for its revitalization and growth;
- Higher productivity, output, incomes and employment in the rice farming sector will contribute to alleviating rural poverty and enhance greater food security at home. At the same time, re-emergence on the international scene as a major rice exporter will restore rice as a important source of foreign exchange for the country and will also assist in addressing the rising food security concerns in the region and around the world;
- In short, revitalization of the rice economy and rice exports presents one area where concrete action can be taken to improve the well-being of the rural poor and at the same time to initiate the process of national economic development. It is also an area that holds high promise for fruitful cooperation between the government, academics, business community, civil society organizations, and development partners.

65. *Present status of Myanmar in the world rice market:* To restore Myanmar as a major rice exporter, it will be useful to start with a brief account of where Myanmar stands at present in the world rice market. What is clear from official statistics is that the importance of rice in Myanmar's total export earnings has been declining over the past years. In the colonial days, in fiscal year 1938/39, Myanmar exported 3.3 million tons of rice which contributed 46.7% to the country's total export receipts. Myanmar was the number one rice exporter in the world at that time. Over the period 1990/91-1999/00, the *volume* of rice exports averaged 249,000 tons per year which amounted to 7.5% of the 3.3 million tons exported in 1938/39. Rice accounted for 6.6% of total export receipts during this period.

66. The importance of rice in Myanmar's exports declined further in 2000/01-2007/08 period. It only contributed a yearly average of 1.6% of total export earnings during this period. Obviously, this also implies Myanmar's well-known reputation as the "rice bowl" of Asia has lost much of its splendor. Thus, in 2007 the total world exports of rice amounted to 28.69 million tons. Thailand is now the number one rice exporter in the world. It exported 8.5 million tons in 2007 which accounted for 29.6% of total world exports of rice. Vietnam came in second, exported 4.6 million tons, accounting for 16.0% of total world exports. Other major players in the world rice export trade in 2007 were India with 4.0 million tons, USA (3.3 million tons), and Pakistan (3.0 million tons).²⁷

²⁷United States Department of Agriculture (USDA), Economic Research Service, Rice Situation and Outlook Yearbook/RCS-2007/November, 2008; Appendix table 25, p. 88.

67. How about Myanmar? According to official statistics, Myanmar exported a total of 358,500 tons of rice in fiscal year 2007/08. This represents 1.2% of total world exports of rice in that year. It may further be noted that Myanmar's share of 1.2% represents the share in total *volume* of world rice exports. If instead, we consider the total *value* of world rice exports, Myanmar's share would even fall further, as Myanmar exports mostly low quality rice that fetches a price per ton far below that of its neighbours. Moreover, Thailand exported as much as 10.1 million tons of rice in 2004. In contrast, there have been years when the volume of Myanmar's rice exports sank into insignificance in the world rice market. For instance, official statistics indicate Myanmar exported only 14,500 tons in fiscal 2006/07.

68. The availability of adequate supply of rice for domestic consumption, to have a surplus for export to earn foreign exchange, and to tax rice production and trade to generate revenue have been a major preoccupation of successive governments in Myanmar. As stated earlier, rice cultivation is the main occupation of farmers who form the majority of the country's population. In fact, rice growing for the Burmese farmer is not only a means of livelihood, but is a way of life. Hence, the rice issue has been, and continues to be, a politically sensitive matter in the country and it raises deep social and economic concerns.

69. *Exportable surplus of rice:* To increase rice exports there is need to increase the exportable surplus of rice. Exportable surplus consists of current production, plus available stocks, minus projected domestic consumption. To this some adjustments may have to be made for loss due to improper storage and pests and leakages resulting from illegal cross-border trade.

70. Thinking along these lines, it may be noted that in fiscal year 2008/09, according to official statistics, paddy (unhusked rice) output of Myanmar is estimated to be 35.8 million metric tons. Myanmar's population is 58.4 million, and rice exports for the year are stated to be around 1 million metric tons. In the same year, Thailand estimates its paddy output is likely to be about 35 million metric tons, slightly less than Myanmar. Thai population for the year is estimated at 68.4 million, but its exports are estimated to be between 8 million to 10 million metric tons. Hence, the fact that Thailand with about the same level of paddy production as in Myanmar but with 10 million more people could export rice more than 8 to 10 times than that of Myanmar needs some explanation. A reason that has been given is that with rising incomes and higher living standards, the life styles and dietary patterns of the Thais have changed and they are eating less rice, which increases their rice exportable surplus and thereby their exports. This sounds reasonable and is certainly true, to some extent. In fact, our people in the Ministry of Agriculture and Irrigation, estimate our per capita rice consumption at 8.5 baskets (637.5 lbs) per year, compared to 3.5 baskets (262.5 lbs) for the Thais. But of course there are also those who advocate a simpler explanation. They think the large discrepancy in the rice export performance between Myanmar and Thailand is purely a statistical phenomenon, arising out of our overly optimistic paddy output figures.

71. In any case, the option to reduce domestic consumption of rice to increase exportable surplus is not available for Myanmar. According to IMF, the per capita GDP of Myanmar in 2008 is estimated at \$446 while the figure for Thailand came to \$4,116. Hence, prospects for rising incomes and changing life styles to reduce the consumption of rice to have a significant impact on the exportable surplus are not in sight for Myanmar in the foreseeable future. Reliance to increase exports will have to be placed on increasing paddy output in real and not in statistical terms.

72. *Giving farmers a better deal:* To increase paddy production, the need to provide farmers with the required incentives is crucial. This was lacking in most of the post independence era. Explicit agricultural taxes, such as export taxes, and implicit taxes, such as government agencies paying farmers less than market prices, were adopted in Myanmar as they were easy to administer and extremely attractive for a country with a narrow tax base and limited administrative capability. Moreover, those who are desperately in need of cheap rice are the large masses of the urban poor. Their needs are met by making farmers sell a portion of their rice at much below the market price, and to resell this rice to the urban poor at a low subsidized price. Not only rice, but urban consumers usually get subsidized gasoline, electricity, public transport, housing, and other essential community services. These subsidies result in deficits in the government budget. When the deficits are met out of the government's general budget, which includes taxes and other charges levied on farmers, it means the rural sector is subsidizing the consumption of these goods and services by the urban sector.

73. An important policy initiative was undertaken in April 2003 to give the long suffering farmers a better deal.²⁸ The compulsory delivery of a quota of farm output was abolished and rice export trade was opened up to the private sector. The poverty alleviation action programme should follow up with specific measures on this policy initiative so that farmers get the better deal they deserve and they get the incentives and support that they need.

74. *Specific measures and follow-up activities:* But what specifically are the measures and follow-up activities to pursue to improve the lot of the farmers, to revitalize the rice economy and to restore Myanmar as a major rice exporter in the world market? These are listed below.

75. *Getting agricultural statistics right:* A good start is to improve the agricultural statistical base. A favourite method of agricultural survey is fondly referred to as the palm tree climber survey. Under this method the surveyor climbs a palm tree, looks at the rice fields below and estimates sown acreage, mature acreage, yield per acre, fertilizer requirement, etc;. Unfortunately, Nargis has wiped out most the palm trees at least in the delta area. So there is a need to come up with some other better methods. Our people in the Settlement and Land Records Department of the Ministry of Agriculture and Irrigation know these methods and has the knowledge and competence to conduct surveys to improve the agricultural data base. All they need is the mandate to undertake the task and resources to do it. We shall be pushing hard for them to get the mandate and the required resources.

76. *Increasing rice yields:* Aside from improving the agricultural statistical base, another obvious need is to boost rice yields. This can be done through increased and proper use of modern inputs such as fertilizers, pesticides, proper water control, improved seeds, and farm mechanization. Moreover, there is a wide range of issues related to better pricing, distribution, storage, marketing, grading, processing, taxation and organization and management of agricultural production so that farmers' incentives are not adversely affected, they get a fair reward for their efforts, and middlemen and others do not take unfair advantage of them.

²⁸U Myint, "The rice issue", (Unpublished paper, Yangon, 19 September 2003.)

77. *Agricultural credit:* A big issue that should receive major attention at present is agricultural credit. Nargis and the destruction it has wrought on infrastructure, natural and man-made capital, dwellings and means of livelihoods has dramatized the need for credit. But the credit crunch is a countrywide problem although its impact varies from region to region, from township to township, and even within a township.

78. In view of its seriousness, rural credit issue will be accorded top priority in the poverty reduction action programme. In doing so effort will be made to build on what has already been achieved and to take due account of on-going activities in this area by the public and private sectors, civil society organizations, and NGOs to avoid duplication and to enhance cooperation among various actors and stakeholders. UNDP has done a lot of work in this area and its experience will be useful in planning future activities. This also applies to the vast experience with regard to microcredit in the Asia and Pacific region from which valuable lessons can be drawn.

79. One important activity that could be undertake right away with regard to following up on the rural credit issue is to conduct surveys of farm incomes and expenditures. In an unstable macroeconomic environment, costs and prices are changing all the time but there is a need to get reasonably accurate estimates of farm incomes and expenditures for specific rural communities in order to launch credit programmes for them. Without such information it will not be possible to determine the amount of credit per acre that will be required and terms and conditions at which it should be provided to ensure these do not impose an undue burden on the borrower, while at the same time prospects of repayment are also reasonably good so that the credit programme can continue on a sustainable basis.

80. *Involving young people:* These income and expenditure surveys can be undertaken by young people that have been trained by capacity building organizations both within and outside the country in techniques and methods of conducting such surveys. The dedication and hard work put in by these young people in undertaking post Nargis assessment surveys have been impressive and their involvement and support in undertaking surveys not only in the case of providing farm credit but also for follow-up activities in other areas concerned with enhancing rural economy and poverty reduction would be very welcome.

81. *Reconciling producer and consumer interests:* Another important issue is the need to reconcile the conflict of interest between the producer and consumer with regard to the rice price. As producers farmers would like to get a price of rice as high as possible. On the other hand, consumers would like to buy rice at a price as low as possible. How do you resolve this conflict? How do you go about establishing a price that is attractive for farmers to produce rice, while the price is also at a level that consumers can afford to buy? One way this can be done is by reducing "transaction costs." For example, Dr Ikuko Okamoto of Institute of Developing Economies of Japan, a specialist on the rural economy of Myanmar, has estimated that of the rice price paid by the final consumer, farmers get 20%. The rest 80% goes to pay "transaction costs", which are for transport, storage, marketing, grading, milling, port charges etc., along with tea money for small officials, and special gifts and donations for high officials. Now if these transactions costs can be lowered to 50% then price received by farmers could be increase by 15% and price charged to consumers can be lowered by 15% without disturbing the rice market.

82. Reducing transaction costs is a proposal that will be very interesting to follow-up. The business people will take it up with great relish. Aside from lack of a level playing field, chasing after transaction costs has made life utterly miserable for them.

83. *Increasing export earnings through improved quality of rice:* Thinking about transaction costs such as milling, storage and grading leads into another useful consideration, namely what is important is not the volume of exports but the money and revenue earned from exports, or the value of exports. Myanmar has not done well on this score. As stated earlier, our rice exports are of low quality and price we get are far below what our neighbours get. So another obvious area requiring attention is to improve the quality of rice, get higher prices and increase export earnings. IMF recommends that efforts should be made to export more high quality rice not only to increase earnings but also because low quality rice is consumed by most people at home and its export could disturb the local market.

84. Looking at past experience, during the era of mandatory delivery quotas, high quality rice exports was problematic for the government because farmers usually provide the poorest quality rice they produce to meet their quotas. Moreover, such deliveries were dumped together at the government's buying depots so there was no uniformity with respect to the quality and variety of rice procured. However, with the lifting of the ban on private rice exports under the new policy adopted in 2003, prospects for high quality rice exports become much brighter. This is because when the rice export trade is opened to the private sector, the private business person who has contact with the foreign buyer and knows exactly what the foreigner wants will pay the price and provide the required inputs to the farmer to produce the quality and quantity of the rice that is required. He will also collect, transport, and mill and process the rice so as to meet the standard the foreign buyer has set. This is good for the farmer, the business person, and with increased exports and foreign exchange earnings, it is good for the country as well. But to obtain these advantages, there has to be a level playing field in the rice export business.

85. *Land reform:* Land reform played a big role in rural development and in initiating economic progress in many economies, such as in Taiwan and South Korea. In Myanmar farmers do not have land ownership rights, but only land user's rights. Thus, in considering land reform in Myanmar under present circumstances, the aim is to come up with measures to protect the farmers from losing their land use rights as it is happening in some neighbouring countries. Another issue is that the land tax rates have been kept fixed at their level in the colonial days at a few kyats per acre which add next to nothing to revenue, which should therefore be reviewed. Some people also say farmers with land use rights should have right to use land as collateral to get loans.

86. *Protecting the village commons:* Another issue which has not received much attention is that something like the enclosure movement that took place in England just prior to the Industrial Revolution is taking place in the Myanmar countryside. Every village has what are called the village commons, such as forests where village people can fetch firewood, meadows where their cattle can graze, and streams, lakes and ponds where they can catch fish. Now these are being fenced off by some local authorities to generate revenue for themselves and the common rights are no longer available to the village folk. Similarly, fishing rights in streams, lakes and rivers near villages are often given as concessions to private individuals and farmers are denied rights to them. These are issues that deserve attention in the action programme for the poverty alleviation strategy.

87. *Increasing resilience through non-farm activities:* Nargis and global financial crisis were disasters that hit Myanmar which were beyond its control. When these natural and economic disasters strike, it is always the poor and livelihoods in the rural economy that are hit the hardest. However, the resilience of the rural economy can be strengthened to better withstand these misfortunes through creating non-farm employment opportunities. For example, a farm household or a village that not only grows rice but engages in other

economic activities has better chance of coming to terms with these disastrous events. Non-farm activities in the countryside can take place by setting up small enterprises in processing, construction, transport, repair, catering, and other services. In China these town and village enterprises played a vital role in the agricultural reform process, by creating jobs for millions of people and increasing rural incomes and output.²⁹ With climate change brought on by global warming, Myanmar like other countries will have to face more frequent and more violent natural disasters than before. Similarly, increased globalization will bring with it greater impact of economic disturbances originating outside its borders. Hence, there is a clear need to strengthen the resilience of the rural sector by promoting non-farm employment opportunities.

88. *Reconciling domestic consumption needs and exports of rice:* Concerns have been expressed that an over zealous rice export drive to become a major rice exporter, may divert resources into producing for the export market, with adverse consequences on availability of rice for domestic consumption, especially for poor consumers. This is a valid concern if a rice export drive is launched without undertaking reforms to overcome constraints all along the whole rice production and marketing chain. It is doubtful Myanmar can become a major player in the world rice market without making such an effort. To become a major player and to compete successfully on the international rice market, farmers in the country must be provided with incentives, inputs, and technical support to increase the yield and quality of rice output as well as with access to market at home and abroad. In addition, the business community engaged in the rice trade must operate in an environment of free and fair competition, on a level playing field, with trade licenses and special favours abolished. Finally, a serious effort must be made aimed at controlling inflation, unifying the exchange rate, undertaking the much needed reforms in the financial sector, taxation, public finance, trade, and generally to restore investor and business confidence in the economy and the way it is run – measures that are essential to transform Myanmar into a modern, developed nation. Hence, the emphasis placed on restoring Myanmar as a major rice exporter in the world market is not only to promote rural development and poverty reduction, but to initiate the reform process for more broad-based economic development of the country. A seminar focused on the rice issue that will propose concrete action along these lines will be held in Naypyitaw in late June 2011. This seminar represents the third session in the development partnership series, organized jointly by ESCAP and relevant economic ministries of the Government of Myanmar.

89. *Building on what has been achieved:* Over the past decades, Myanmar has devoted a lot of effort on building the physical infrastructure of the country – roads, railways, bridges, dams, airports, seaports, hydropower stations, hospitals, universities and schools. It is now an appropriate time to build on and make effective use of this physical infrastructure by directing more attention towards evolving better policies, institutional arrangements, and

90. *Focus of the poverty reduction action programme:* The action programme will be people-implementation programmes aimed especially at improving the ability, opportunity, desire, and incentive of people to perform their tasks in a more productive and efficient manner. oriented. To give a few examples, in addition to giving an account of the number of irrigation dams built over the years, it will be desirable to show concretely how much water has in fact gone to the fields of poor farmers in the villages and what difference this has made to improving their livelihoods. Similarly, in addition to providing information on the

²⁹Please see paras. (44) and (45) above.

number of hydroelectric dams and power stations that have been built over the years, there is a need to find out how much access the poor actually have to electric power at present and how greater access to a reliable and good quality electric power supply could not only improve their living conditions but help establish small village industries and workshops that will increase incomes and off-farm employment opportunities for them. The same can be said about building roads and other infrastructure. Aside from providing statistics on roads constructed over the years, information should also be provided on access roads to villages that now exist, or that can and should be built, to enable poor farmers to bring their produce to the market as well as to transport the inputs they need for their farms. These are few examples of what the action plan for poverty reduction should be concentrating on, to move forward.

IV. Monitoring and review and proposal for establishment of the Myanmar Development Resource Institute (MDRI)

91. The aims and functions of MDRI have already been briefly outlined in paragraph (6) of this paper. A few preliminary additional thoughts on the establishment of MDRI are given below.

92. To show its independence and close links with the business and academic community, MDRI will be located in Yangon. It will, however, have a branch office in Naypyitaw.

93. The Board of Directors of MDRI and the team of technical experts under the Executive Director will adopt their own work procedure. It is envisaged that deliberations and discussions in MDRI will be held in a free and frank manner, and in an informal, relaxed and friendly atmosphere. Any issue that the authorities of the Institute feel relevant to fulfill its mandate, and within its terms of reference, may be taken up for discussion and follow-up action.

94. The MDRI for its smooth functioning and efficient conduct of work, will have its headquarters in a building in a pleasant neighbourhood of Yangon. The building will have all the facilities associated with such institutes throughout the Asia and Pacific region. It will also be provided with secretarial support, telephone, fax, e-mail and Internet facilities, as well as with technical and administrative backstopping services.

95. The authorities at MDRI may call upon anyone, both within the country and outside, which they feel has the expertise and is appropriate to assist their work. Those within the country may be prominent professionals, business people, academics, administrators, members of political parties, nationalities as well as common people that have views to express for the success of MDRI in achieving its objectives.

96. As for those from outside, MDRI looks to active involvement and assistance of many talented and experienced Myanmar compatriots living abroad. There are dedicated young people of Myanmar in foreign lands who have acquired skills and knowledge in numerous fields whose contribution will be specially welcomed. Further, reliance will be placed on Myanmar compatriots abroad to bring to the attention of the international community, and particularly to the major players on the world stage – the nature, aims, functions and

work of the MDRI – to enhance international understanding and support for this initiative for Myanmar. This is important because the tasks and duties envisaged for MDRI will be greatly facilitated by having access to the vast store of knowledge, expertise and resources available in neighbouring countries, in the rest of the world, and in the United Nations and other international organizations.

97. To conclude, we feel reasonably confident that deliberations and work in the MDRI, and its findings, recommendations and activities, will lead to a successful outcome in attaining the aims of the new policy directions announced by the President, and will make a valuable contribution to the nation building and democratization process currently underway.