



COUNTRY REPORT OF THE ASEAN ASSESSMENT ON THE SOCIAL IMPACT OF THE GLOBAL FINANCIAL CRISIS: MYANMAR

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I. THE SOCIAL IMPACT OF THE FINANCIAL CRISIS AND THE GOVERNMENT'S RESPONSES

The Government of Myanmar expects the economic crisis to have only a limited impact on the population, though the lack of microdata from labor force, household, and income and expenditure surveys makes it hard to determine what vulnerabilities may be starting to emerge among workers and households. According to official government figures, real GDP grew by 12.9 percent per year for the first half of the decade. The target growth rate for the fourth short-term five-year plan (2006-2011) is 12 percent, and this target was met in the first two years. For the current fiscal year, the government expects a slight decrease, but the growth rate will still be roughly on target. The unemployment rate (a projection based on the 1990 Labor Force Survey) is expected to remain at 4.0 percent in 2009. However, the Economist Intelligence Unit (EIU) projects real GDP to grow at 1.0 percent in real terms in 2009 (it grew by 3.4 percent in 2007 and 1.1 percent in 2008).¹ According to EIU data, Myanmar's exports currently amount to 23 percent of GDP, and its major export partners are Thailand, Singapore, India, Hong Kong, China, Malaysia, Japan, and Bangladesh. Some of these countries have been badly hit by the economic crisis and may pass on this negative impact onto Myanmar in the form of a reduction in the demand for its exports.² As of September 2009, the picture is mixed.

Therefore, although the international financial crisis has not hit Myanmar directly, the country is almost certain to experience a reduction in exports to its trading partners throughout East Asia. There are three main ways in which the decline in global demand could affect Myanmar – through reduced international trade, reduced foreign direct investment (FDI), and reduced migration.

Exports of natural gas appear to have decreased the most, and the decrease in these revenues could significantly affect the government's expenditure. Official data suggest that natural gas exports decreased by more than 22 percent in the first half of 2009. Most of the revenues from natural gas exports accrue to the government,³ and in light of the recent fluctuations in prices for natural gas, the decrease in volume will likely result in a pronounced fall in export receipts that will affect the government's budget. Because the government is committed to several high-profile infrastructure projects such as the development of the new capital of Nay Pyi Taw and big energy projects such as building a hydro power plant and several dams, it is likely that the decline in revenues will translate into reduced spending on health education and social protection.

The agricultural sector, on the other hand, seems to be more resilient despite the negative impact of recent natural disasters and the fall in agricultural prices. Government records state that exports of major agricultural products such as rice, maize, sesame, beans, and pulses increased by 22.4 percent in volume between March 2008 and March 2009. The quantity of rice exported increased by 74 percent and the quantity of pulses exported increased by 35 percent in the first half of 2009 compared with the same period a year ago. Exports of fish and fish products⁴ also increased by 20 percent in the first half of 2009. Given the rapid drop in the prices of agriculture products, it is

1 The differences in growth rates between the two sources are substantial, and it is not clear where they come from. In all probability, they stem from different models of accounting for inflation.

2 During the 1997-98 financial crisis, Thailand's natural gas consumption dropped 1.3% in 1998, after growing on average 32% per year during 1994-96

3 The rest go to foreign firms that have invested in gas mining.

4 This also includes prawns and crab exports.

not clear if the value of exports has actually increased or not. The rubber industry, however, has suffered the most due to a significant decline in demand (and prices) for automobile tires.

Given the low levels of FDI in Myanmar and the ongoing commitment of Chinese firms in Myanmar, FDI is not expected to decline in the short term. In past years, the Myanmar economy benefited from an inflow of FDI and particularly from investment in mining industries mainly from China, India, Malaysia, South Korea, and Thailand. However, the level of FDI in Myanmar is still very low. In the fiscal year 2007/08, FDI in the oil and gas sector amounted to US\$137million, almost all of which came from India. In fiscal year 2008/09, a Chinese company stated that it will continue to invest US\$856 million in a ferro-nickel mine in North Myanmar. In early 2009 Myanmar and China also signed contracts on building a cross-border oil and gas pipeline and developing hydropower resources. Foreign interest in Myanmar's resources remains robust, but despite these positive developments some new projects could start later than planned or their investment value could be reduced.

Farmers particularly in cyclone-affected areas are being hit by fluctuating prices for agricultural products and inputs. UNDP (2009) has reported that small and medium-sized rice farmers struggle to produce with positive margins. Agriculture still is the most important sector, representing 42 percent of GDP and 70 percent of the labor force.⁵ Less supportive commodity prices in 2009 will result in even lower farm incomes. This makes it particularly hard to service any loans that they may have received from money lenders to buy inputs such as fertilizer, seeds, and machinery. Furthermore, farmers in the cyclone-affected areas around the Irrawaddy Delta have had to cope with the loss of livelihood assets that were destroyed during the cyclone period in 2008.

A decline in remittances as a result of the reduced economic activity in migrant-receiving countries during 2009 may significantly reduce some households' incomes. According to the government, there are about 1 million migrant workers from Myanmar in Thailand, but the actual number is likely to be much higher as many of the migrants are illegal and are not registered with any agencies.⁶ Although little is known about migration patterns, anecdotal evidence suggests that Myanmar workers are scattered all over South-East Asia and the Middle East and that a large number of them also work on merchant ships. Because of the recent decline in global trade, they are at great risk of losing their jobs. Foreign wages tend to be higher than those paid in Myanmar, and therefore the value of remittances in household income is likely to be high. Newspapers have reported on migrants returning home from Singapore, Malaysia, South Korea, and Middle Eastern countries. A wave of return migration would flood the domestic labor market. However, the government has indicated that it is ready to offer job opportunities to returning migrants in agriculture, on palm oil plantation, and in fisheries.

Focus group discussions suggest that households may already be suffering from the crisis. Aung and Aung (2009) conducted interviews, focus group discussions, and surveys among migrant workers in Myanmar to find out how they are being affected by the financial crisis. Most participants reported that their hours of work have been reduced, that they have lost income, and that they have less labor mobility. These findings are in line with most

⁵ EIU, refers to FY08 (April 07-March 08).

⁶ Some estimates are of at least 2 million overseas migrant workers (over 7% of labor force).

other studies of migrant workers in East-Asia. Furthermore, the hardship is largely shouldered by women, who are more likely than men to experience cuts in their salaries and hours worked and lay-offs. In the midst of increases in the cost of living and reduced salaries, migrant workers find it hard to cover their basic costs of living and at the same time send money back home to their families on a regular basis. Many report that, without the money that they send, their families back in Myanmar struggle to survive. Most of them have also had to incur a large fixed cost to finance their travel to Thailand. Many migrants financed their passage by getting a loan and struggle to repay their debts. A majority of workers stated that they want to stay in Thailand despite the difficulties involved in finding a job and their reduced incomes.

Monitoring

There are no well developed systems for collecting labor force, household, or income and expenditure data in Myanmar. As a result, it is difficult to measure the impact of the crisis on the population. First, there are hardly any recent data on labor markets, education, and health care that might shed some light on current socioeconomic conditions throughout the country. Second, migrant workers who work in other countries send a large share of their incomes home to their families, but many of them are illegal migrants who send these remittances in cash and in other ways that cannot easily be tracked as formal capital inflows.

II. SOCIAL PROTECTION PROGRAMMES

Social protection in Myanmar is largely limited to social insurance schemes that are available only to formal workers. Some welfare programmes targeted to particularly disadvantaged groups also exist but have extremely low coverage.

Overall, the main SP approach taken in Myanmar is to geographically target deprived rural areas with development projects, which is a pattern that is common in other low-income countries. The government's development strategy is based on three programmes:

- The Border Area Development Plan (launched in 1989), which aims to fulfill the basic needs of the population living in remote and border areas.⁷ Priority has been given to transportation and communications, education, health, electric power, agriculture, and livestock breeding.
- The Integrated Rural Development Plan, (launched in 2001), which aims to improve the living conditions of the rural population, which represents roughly 70 percent of the total population. Again, the Plan focuses on investments in transportation, rural services, and economic development.
- The designation of 24 Special Development Zones in an attempt to narrow the education, health, and infrastructure gap among the different states and divisions of Myanmar.

⁷ The Ministry of Progress of Border Areas and National Races and Development Affairs was set up in 1992 and is responsible for border area development in collaboration with other concerned ministries.

Social Assistance

Myanmar has numerous social welfare programmes, but they reach only a small number of people and largely target by category. Myanmar has a number of social welfare programmes for particularly disadvantaged groups, but public expenditure on these programmes is limited and the number of people that they assist is very small. Total expenditure on social welfare in 2009-2010 was estimated to be at 2404.5 million Kyats or roughly US\$370 million. The major components of these programmes are shown in Annex Table 1. These programmes are mainly targeted to groups such as orphans, the disabled, or frail older people who have no family to support them. In total, these programmes currently cater for fewer than 13,000 people, and more than half of these are in pre-primary schools.

A number of donors support a variety of social assistance programmes in the areas of food security, health, and education. Particularly in the aftermath of cyclone Nargis in May 2008, donors provided essential relief by supporting food distribution. For example, the World Food Programme delivered 70,000 tons of food to over 1 million people and implemented food-for-work programmes supporting a total of 76,000 people. The Save the Children Fund also distributed almost 2,000 tons of rice, as well as supporting the reconstruction of health and education facilities and nutrition programmes.

Social Security

The government runs a social security scheme that covers around 500,000 formal workers in selected industrial establishments.⁸ The scheme, managed by the Ministry of Labor, first came into effect in 1956 in the Yangon area and was then extended in stages to areas with a significant number of industrial workers. It is financed by contributions from the employees themselves (who pay 1.5 percent of their wages) and their employers (who pay 2.5 percent of the worker's wages). All workers employed in covered establishments are compulsorily insured irrespective of the type and nature of their employment (whether they are wage earners or salaried workers or permanent or temporary) and of the level or form of their remuneration. Apprentices and trainees are also compulsorily covered. The system is administered by the Social Security Board, which registers employers and employees in covered establishments, collects contributions, pays out cash benefits, and provides free medical care to contributors. No formal pension scheme exists, and the government encourages its citizens to rely on their extended families for care in their old age. However, a programme called Houses for the Aged has been established to provide care for those in need. Free medical care, employment injury benefits and cash benefits are the main responsibilities of the social security scheme. For workers not covered by the social security scheme, the Workmen's Compensation Act places liability for compensation for work accidents on each individual employer. The Act covers personal injuries resulting from employment accidents and occupational diseases.

⁸ The following types of establishment are covered in the social insurance system: industrial establishments in which at least five workers are employed; railways; public industrial and transport establishments; ports; mines; establishments covered by the Dock Workers Act; the Ministry of Labour; and any other establishments specified for inclusion by the government.

Cash payments are provided to workers insured under the social security scheme in cases of sickness, maternity, death, and employment injury. Sickness cash benefits⁹ are provided to those who are incapable of working. Maternity cash benefits are payable for up to six weeks before and six weeks after confinement at a level equivalent to about two-thirds of the insured wage. Employment injury benefits and a permanent disability pension¹⁰ are granted in cases of employment accidents and occupational diseases irrespective of whether the employer has paid contributions for the injured worker. Survivors' pensions are payable in the case of the death of an insured person resulting from employment injury, and the survivors' monthly pension is paid to the worker's widow (or widows) until she dies or remarries. In case of the death of a female insured worker resulting from employment injury, her widower is entitled to pension only if he is disabled.

Free medical care is provided to those insured under the social security scheme through 95 social security board clinics, 40 departmental enterprise clinics, and three workers' hospitals in Yangon (250 beds), Mandalay (150 beds), and Htantabin (100 beds). Vaccination and health education activities are also provided for people covered by insurance. Specialist teams undertake weekly visits to covered factories and plants and give free medical care and talks on occupational safety, health, and infectious diseases such as HIV/AIDS, malaria, tuberculosis, bird flu, and SARS.

III. POLICY ISSUES

Going forward, there are some key issues regarding the focus and coverage of Myanmar's SP programmes that the government may wish to consider as it frames its future social protection strategy. First of all, while geographic targeting has been and still is an important component of development and social assistance strategies in many ASEAN Member States, most countries have started moving towards a people-targeted approach as they develop more comprehensive social protection strategies. Second, social insurance in Myanmar currently reaches only a small fraction of the population, and the government might want to consider models for social insurance programmes exist that would cover workers in more than just the formal sector and/or the civil service. It would probably be necessary to include incentives to persuade informal/rural workers to participate as well as a commitment from the government to match the contributions made by these workers to their own Social Insurance accounts.

Whatever the direction the government's social protection strategy takes, an essential first step will be to strengthen data collection. This is true both at the programme level, because there is currently no information on their operation and effectiveness, and at the aggregate level to enable the analysis of socio-economic conditions. The data that are currently collected are not appropriate or sufficient for the regular monitoring of the labor market, for example, and no data of any kind are currently being gathered on key social indicators. Frequent household-level surveys are needed to yield the kind of data that would help policymakers to develop a more effective targeted social protection and development strategy.

⁹ About 50 percent of the insured wage

¹⁰ The Social Security Medical Assessment Board determines the percentage of lost earnings capacity. The level of the pension is approximately two-thirds of the insured wage. A supplement of 25 percent of the pension can be added if the condition of the disabled person requires the constant attendance of another person.

At the regional level, the government of Myanmar might consider working with its neighbors in the region towards concluding an agreement that would allow migrant workers to contribute to their host countries' social insurance systems while they are working in that country. This would benefit other ASEAN Member States with large numbers of migrants. In the future, Myanmar should also promote the portability of social insurance rights for Myanmar workers who return from abroad having contributed to foreign Social Insurance schemes.

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Annex 1

Annex Table 1: Programs of the Department of Social Welfare, Myanmar

	Number in Myanmar
Residential Nurseries	
Institutions	6
Participants	187
Pre-primary Schools	
Institutions	65
Participants	7358
Daycare Centers	
Institutions	-
Participants	-
Homes for the Aged	
Institutions	52
Participants	2057
Training Schools for Boys	
Institutions	6
Participants	1173
Training Schools for Girls	
Institutions	2
Participants	424
Women's Development Centers	
Institutions	2
Participants	187
Vocational Training Centers for Women	
Institutions	4
Participants	245
Centers for Women's Care	
Institutions	2
Participants	3414
Schools for the Blind	
Institutions	2
Participants	173
Schools for the Deaf	
Institutions	1
Participants	208
Vocational Training School for Disabled Adults	
Institutions	1
Participants	96
Schools for Disabled Children	
Institutions	1
Participants	162
Rehabilitation Centers for Ex-Drug Addicts	
Institutions	10
Participants	186
Maung Mya Youth Training School	
Institutions	1
Participants	69

Source: Data provided by the Department of Social Welfare.

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