

Final report

Hlegu Township report

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Hlegu Township Report

1. Introduction

Hlegu Township in Myanmar sits 45 km northeast of Yangon. It is a rural township within Yangon Region. Despite its proximity to the city of Yangon it has yet to benefit significantly or directly from increasing urbanization in the country's capital. It borders Yangon city and the Yangon City Development Committee (YCDC), though it is administered separately with its own Township Administration and Development Affairs Organization (DAO).

This analysis is the result of desk and field research and seeks to outline the current state of economic development and governance in Hlegu Township, to explore possibilities to strengthen these areas and to provide recommendations regarding how the township might proceed in the short and medium term future. Emphasis will be placed on the promotion of urbanization, development relations with YCDC, and reduction corruption, with specific consideration given to the role that Hluttaw members can play in promoting and coordinating development.

2. Hlegu Township Context

According to the 2014 census, Hlegu township has a population of 270,741 people. 15 percent of the population are urban, the remaining 85 percent being rural. It has a total of 58,023 households, with the mean household size being 4.3 persons which is consistent with both the Union and Yangon Region household sizes. Interviews suggested that according to local law enforcement approximately 65 percent of the population is made up of migrant workers. These workers primarily come from Ayeyarwady and Bago Regions. Agriculture is the primary means of employment for those that work locally, while a large percentage of the population resides in Hlegu but works in neighbouring township, including in those that make up urban Yangon. The township has a poverty rate of 16.2 percent, and an unemployment rate of 4.2 percent.

Governance and Administration

Hlegu one of 44 townships making up Yangon region. It is comprised of 22,060 villages, and 57 village tracts. Like all townships in Myanmar the local township administration unit is overseen and managed by the Township Administrator (TA) who is an appointee of the Ministry of Home Affairs General Administration Department (GAD). TAs hold their position in any given township for two years and they are not necessarily local to either the township they administer or the state or region in which the township is located. It is worth noting that TAs appointed come from the Union level government, and not the intermediate region government.

Members of Parliament (MPs) are elected on the basis of one per township to each the Pyithu Hluttaw (the lower house, or house of representatives at the Union level) and the Amyotha Hluttaw (the upper house or senate). Little formal coordination exists between the different MPs, with the most formal point of contact and coordination through government between Union and State/Region MPs is to address the allocation of the Constituency Development Fund (CDF). While the parameters of this

engagement are not formally articulate, the fund regulations does state that MPs from all three parliaments should be involved in determining the fund the allocations.

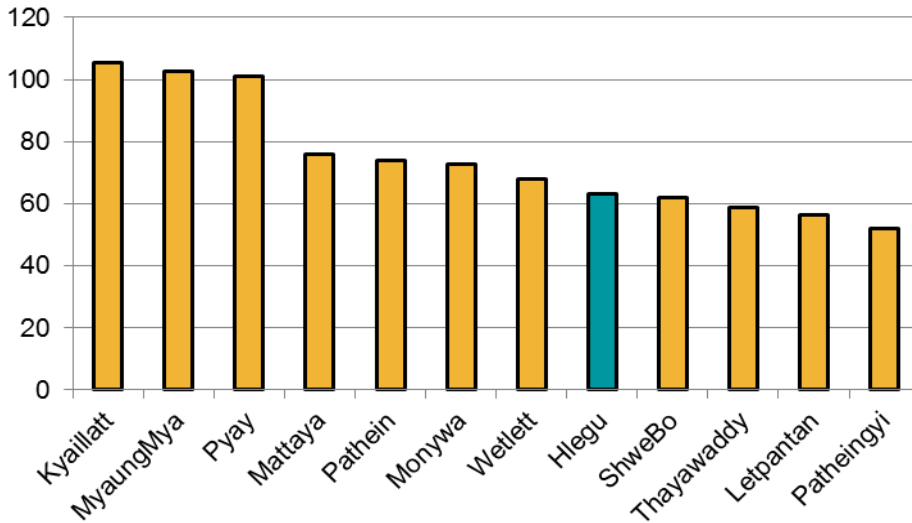
Parliaments, and state/region government are currently young institutions in the Myanmar context. As a result the relation between the township and the region governments remain complex and ill defined. As with many governing relationships in Myanmar they are largely driven by a combination of historic practices, new and emerging regulations, and personal relationships. Additionally, the current patchwork of decentralisation increases the complexity not only of inter-governmental relationships, but also of the lines of accountability and the responsibilities of each level of government. Some governmental portfolios, or parts of them have been decentralized to the state and region governments. For example, in the case of the Ministry of Agriculture and Irrigation, the subnational Department of Agriculture have been decentralized to the state/region governments, while the Departments of Irrigation remain under the auspices of the Union government. Departments of Agriculture are present at the state/region, and township levels. As a result subnational Departments of Agriculture at the subnational level face competing demands via multiple lines of accountability and coordination expectations, many of which are not clearly articulated in governmental regulations. Such complexities are also seen in the appointment of TAs by the Union government, yet effective governance necessitates coordination with the state/region government, and with multiple MPs.

Economy

Hlegu Township, despite being part of the Yangon Division, remains a primarily rural township on the outskirts of Yangon itself. It sits to the northeast of Yangon, right outside the border with the city limits, and therefore is not currently part of the Yangon City Development Committee (YCDC). If Yangon expands outwards, Hlegu Township is a candidate for where this extension may occur, and it is possible it might undergo significant and rapid urbanisation as a result of being brought into the Yangon metropolitan area. This will of course lead to very large changes in the makeup of economic activities in Hlegu.

Hlegu currently has a primarily agricultural economy, with a large proportion of the population involved in rice farming. The productivity of this agricultural activity in Hlegu province is reasonably good compared to other townships for which we have data (see Figure 1 below). By regional standards, the general yields on rice production, and hence in Hlegu Township, remains around the middle of the road (see Figure 2 below).

Figure 1: Rice Yield Comparisons from Different selected Townships (2010-2011)



Source: "Lighthouse Activities in Myanmar (2009-2012)"

The shift towards a more urban makeup of the township is sure to have major effects on the incomes, makeups, and economic activities pursued by local households. Although minorly outdated now, the 2009-10 Integrated Household Living Conditions Assessment (IHLCA) Survey in Myanmar carried out by the Myanmar Ministry of Planning Department and Economic Development and United Nations Development Programme can prove informative for the transitions that one can expect for households in this process. While Hlegu Township was not sampled itself in the survey, nine other townships from Yangon Division were covered, including the two rural townships (i) Taikkyi Township, which is also a large rural township right beside Hlegu on the northern border of Yangon Division, and (ii) Thanlyin Township, which also on the border of Yangon city and Hlegu, just to the East of the city (see Figure 3 below for the Yangon Townships included).

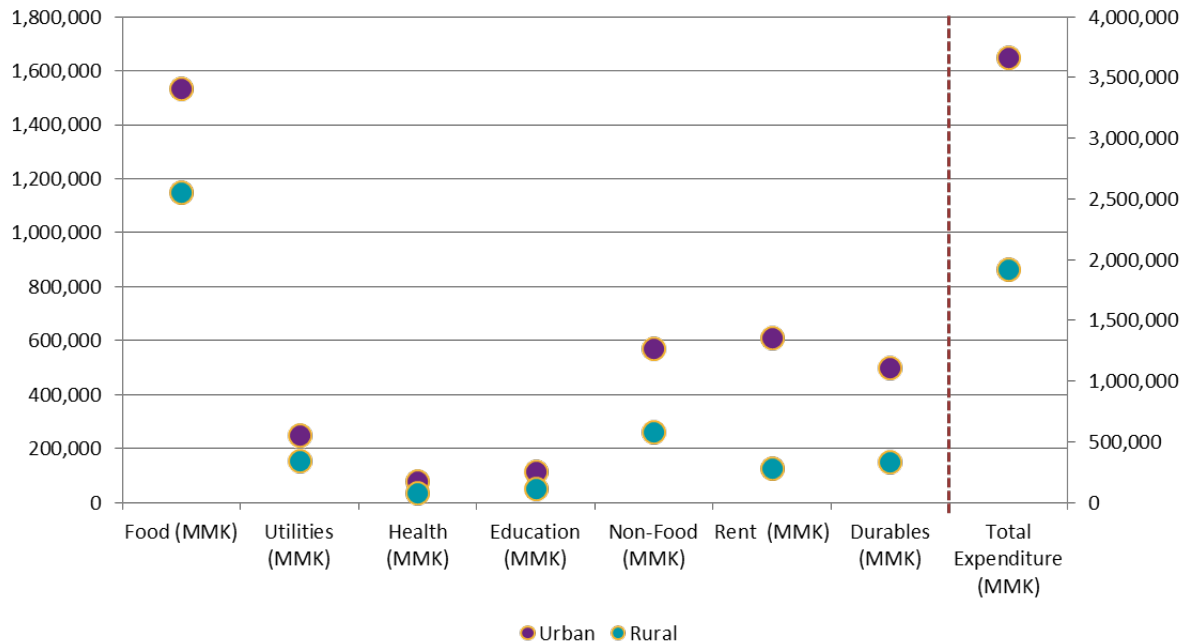
Figure 2: Yangon Division Rural Townships Included in IHLCA Survey



The main difference between these rural and urban areas in Yangon is the level of household expenditure, where according to the 2010 IHCLA Survey, household expenditure in the urban townships of Yangon Division was almost double those in the predominantly rural townships, despite the average

size of households being relatively similar. In fact, the level of consumption across every recorded type of expenditure is simply higher for urban households than rural ones (see Figure 4 below). What is striking is that the percentage of household expenditure spent on health, education, and utilities and very similar in between the groups, indeed with only small differences. The main differences are in food, rent, and other expenditures such as durable and non-food goods. The main economic differences are in rent and food however, with rural township households paying approximately 10% less on rent and approximately 15% more on food as proportions of their total expenditure (See Figure 5 below).¹

Figure 3: Mean Urban & Rural Household Expenditures by Category (2010 – Yangon Division)



Health and Education

Hlegu township, like much of the rest of the Myanmar, is challenged by poor health infrastructure due to long-term government neglect of the sector. The township currently has three government hospitals with a combined total of 82 beds, five public rural health department clinics, and 24 private rural health clinics. The township both benefits and not from its proximity to urban Yangon. Interviewees expressed concern about a lack of adequate health care being available locally, and it is interesting to note that interviewees were confident that only hospital with 25 beds was open in the township. It benefits in that most Hlegu residents are a one to two hour drive from the best, albeit still limited, health care infrastructure and expertise in the country and some of the only tertiary care centres. Traveling to urban Yangon though is both time consuming and costly which is challenge, especially for migrant workers.

¹ These numbers are all based upon mean values for households divided by urban township and rural township. Rural households apply to all households in townships with rural areas, regardless of whether or not they are classified as urban. In these rural townships, the large majority of households are indeed classified as rural. All comparisons between levels and means have also been tested for statistical significance, and all are statistically significant at very high levels (<5%), except for the percentage spent on health, where the difference is not economically significant anyway (1.9% versus 1.6%).

Additionally, access to secondary and tertiary care can be difficult without local access to primary care to support the referral process.

It is also conceivable that the proximity to such a concentration of health infrastructure has downgraded the priority to invest in health infrastructure and health human resources within the township. Interviewees expressed concern about a lack of primary care option and a lack of physicians. Though no comprehensive mapping of health sector resources has been conducted at the township level in Myanmar, interviewees reported that Hlegu residents had access to one physician but that this physician is also responsible for two other neighbouring townships. As result many Hlegu residence use private health care options as their first point of contact. Though this is not atypical for either Myanmar or Southeast Asia, it results in medical costs being a greater burden on family income, and disincentivizes investment in the public health care system.

Interviews with Hlegu civil society, business community, and education representatives suggest that education remains a challenge for many living Hlegu. The township has three colleges, seven high schools, 118 basic schools, and four preschools. Interviewees raised concerns that the children of many migrant families are particularly vulnerable due to an inability to afford the costs associated with going to school, the need to work to support family income, and prioritization of education in families with little history of educational attainment. Small business owning families reportedly also face challenges in ending their children to school due to high fees and work obligations. Interviewees noted that the Ministry of Labour has initiated night school programmes for children unable to attend during the day. It was also suggested that supporting families in establishing SMEs provided greater opportunities for families to send their children to school based on higher incomes and improved ability to hire more workers.

3. Challenges

Land Use

Interviews have reported that due to land value in Hlegu township rising significantly over the last several years much land has been purchased by businesses and elites but is not currently being used. The township administration reported that this compromised their ability to pursue development and investment in the township in such a way as to benefit the majority of the population. It has been speculated that many of those how have invested in this hope to benefit from both the expansion of urban Yangon and from the construction of the Hanthawaddy Airport. Private control of the land though limits the ability of both the township and region government to influence how the township engages with these two pending opportunities.

Further, Hlegu faces similar challenges to rest of Myanmar with a lack of effective enforcement of land tenure rights proving a barrier to entry to businesses. Hlegu currently has no designated industrial zones, though interviewees expressed an interest in creating such an area to support economic development and growth.

Land use designation, especially in the areas of agriculture is highly controlled by the Union government. This presents challenges in assessing how agricultural land is being used in the township. While the majority of the land is designated for paddy production, research suggests that an increasing amount of land is being used for aquaculture², as well as higher value crops such as vegetables. Continued emphasis on paddy production and Union control over land designation presents challenges to agricultural development and planning that reflect needs and opportunities.

Industry

Industry in Hlegu township is dominated by rice and oil mills, as well as tree production. Hlegu currently has two factories that operate in the township with legal authorization. According to interviewees there are numerous other small factories also operate in the township, though without any legal authority. While these other factories provide job opportunities for the local population, the Township Administration and DAO are unable to collect taxes from the factory for either the goods their produce, licensing, or land use.

The proximity to Hlegu to Yangon and YCDC potentially limits the attractiveness of the township as a destination for new industrial projects. Additionally, only 86 acres, or 0.02 percent of the township is designated for industrial use. Further, as noted above, land rights challenges create barriers to entry for industry. It is conceivable that Hlegu's traditional emphasis on agriculture has also reduced the inclusion of industrial planning at the township level.

Hlegu also feature many small unregistered family businesses. While the Union has government has emphasised its desire to see more SME development in Myanmar and provides loans to support their development, as in the rest of Myanmar, few business in Hlegu have pursued loans. The number of SMEs in Hlegu remains low with interviewees stating that many feel they are unable to pay the required minimum wage, and attracting sufficient labour and investment to further develop their business is challenging.

Infrastructure

Infrastructure in Hlegu Township remains a challenges in both central and peripheral areas. Paved roads are limited resulting in congestion in central Hlegu and transportation challenges during rainy season. Additionally, a lack of bridges in urban Hlegu further contributes to congestion and transportation challenges. The township administration and DAO have expressed a desire to confront not only urban congestion in Hlegu, but also to improve rural roads which currently present an impediment for farmers and small business owns to transport their goods to market.

In urban Hlegu existing market areas are also unable to physically expand. The township administration believes this make meeting local needs as the urban population grows a challenge in the future. More land will need to be developed and made accessible in order to address growing demand at the markets.

² Aquaculture in Hlegu township typically involves fish farming with the fish food being supplied by poultry waste.

The complexity of authority over road and bridge construction is potentially creating obstacles to address local needs. Several of the roads identified by the township as needing construction appear to fall under the authority of the region government, as do many of the roads that would require paving in order to improve accessibility and transportation options of the rural township population. A coordinated efforts between the township and region government will be required to effectively address this issue.

54 villages currently lack electricity in Hlegu. This continues to cause concern for the township administration and a perceived lack of clarity about when the national electrification project will finish its work in Hlegu is adding to local concern. While the lack of electricity is currently constraining development and growth in these 54 villages, the national electrification plan is a Union initiative thereby limiting the influence of the township in the process.

Social Considerations

Hlegu's population has grown significantly over the last 10 years. Its proximity to Yangon has attracted migrant workers, primarily from Bago and Ayeyarwady Regions. Additionally, agricultural development led by migrant workers from Shan State and China has led to the repurposing of agricultural land without the formal permission required from the Union government. These changes have resulted in tensions between these populations and the local administration.

Interviewees noted insignificant health and education infrastructure and resource as a challenge to living in Hlegu township. Low wage earns, specifically migrant workers are the most affected by this making it difficult for them to send their children to school or to access health services. Migrant workers also face challenges in paying for housing resulting the construction of shanty towns and, according to the township government, high rates of squatting on unused land. This has further compounded the tensions between the local administration and native population, and migrant workers. As Hlegu is likely to continue to attract a large number of migrant workers the government and local population must find an accommodation.

Planning

There is currently no short or medium term township plan thereby limiting the ability of the township administration to engage in multi-year project and budget planning. This situation is not uncommon in Myanmar.

It is likely that the township will benefit from planned construction of the Hanthawaddy Airport in Bago Region that is scheduled for completion in 2022. The main highway linking downtown Yangon to the airport passes through Bago. The Union government has expressed confidence that construction of the airport will raise the standard of living near it. It is the expectation of Hlegu township officials that they will also benefit due to increased traffic through their township and the infrastructure and investment that will be required to support the airport. Presently, township officials have not been involved in any related discussion. Though they have a desire to leverage these developments to support economic

growth and development in Hlegu, to date no significant discussions appear to have taken place to address these opportunities.

4. Opportunities

Consider joining YCDC

Though not yet confirmed, it has been suggested that YCDC is considering increasing the number townships in its jurisdiction. Hlegu township would be one of the most likely townships to be included in this possible expansion as it borders the current YCDC boundaries.

Interview suggest that within the township there are mixed opinions regarding the advantages and disadvantages of joining YCDC. Those in favour of joining YCDC note that as a larger governing organizing it is in a stronger position to engage with the region and Union governments, as well as foreign government. This could help Hlegu township attract investment and FDI, specifically larger scale industrial investments. Others though have expressed concerns about increased taxation and reduced local autonomy. Additionally, with the majority of YCDC townships being urban there is concerns that the organization's administration is not prepared to address the unique concerns or peri-urban and rural townships.

Hanthawaddy Airport Construction

With recent confirmation that construction on the Hanthawaddy Airport will proceed and is targeted for completion by 2022, Hlegu township – through which the main link between the airport and urban Yangon will run – has an opportunity to leverage the economic investment that will accompany the airport construction and the inevitable increase in the traffic through their township.

To date the township administration has not been involved in any planning or consultation about the new airport. The township might consider exploring the possibility of developing a more formalized service economy along the highway to serve both airport customers and employees. This would also present an opportunity to seek external investment, both domestic and international, to strengthen infrastructure, including roads and power, along the highway. It would be beneficial for the township to find an appropriate place at the planning table in concert with the Yangon Regional government. While the committee overseeing the airport construction has committed to ensuring that local communities will benefit from the project, it will be critical that the township administration and citizens have a say in how it impacts Hlegu.

Agricultural Development and Investment

With agriculture continuing to dominate the Hlegu economy, many interviewees expressed an interest in fostering development in this area in order to improve output and economic strength of the sector. While more advanced farming techniques such as aquaculture continue to be introduced, this is being done in a small scale and ad hoc way. With Hlegu's proximity to the large market of urban Yangon and to the ports and terminals in the capital the township could benefit from the development of high income agriculture and produce. While interviewees expressed a desire to explore the possibility of sending

their produce to the international market, this would be long-term project that would likely require significant FDI and international expertise.

In the short-term the township would benefit from leveraging locally available expertise and the coordinating with the township and region departments of agriculture to improve the yields on their current crops and invest in the development of agricultural products for which there is an existing local market or one that could be developed.

Further, the township would benefit from focusing on developing industries which support the agricultural sector. This would allow those industries to leverage both Hlegu's township economy, but also that of surrounding townships in both Yangon and Bago region.

Strategic use of current resources

Electrification – Interviewees expressed concerns about the 54 villages that still lacking electricity. A desire for foreign investment to accelerate this process was proposed. It should be noted though that a national electrification plan has already been approved and is in the process of being implemented. Hlegu township is on this plan and is expected to be prioritized in light of its proximity to urban Yangon. The township administration should consider overall electricity needs and consider further electrification once the national plan has been fully implemented.

Local Development Funds – The township and village tract administrations in Hlegu could consider developing a medium-term plan for the use of local development funds. Research indicates that much local development funding is allocated based on immediate needs with little coordination between the various funds (Poverty Reduction Fund, Rural Development Fund, Constituency Development Fund, etc.) early results from several dry-zone villages have shown benefits from the creation of a medium-term development plans, done in close consultation with the community, and used to prioritize small development fund investments. The introduction of coordination at the township level also provides opportunities to villages to pool resources in order to implement projects prioritized by several neighbouring villages that each could not implement independently.

5. Considerations

Hlegu is well placed to develop and grow, and to leverage the opportunities available to it based on its fortunate geographical position. Strong coordination between the township and region governments, as well as local business and community leadership will critical to successful development.

Hlegu township would benefit greatly from the creation of a medium-term development plan that is coordinated with the development plans of both the region and Union governments. The presence of a new government at both the Union and region level who are both currently undertaking significant planning efforts has created an excellent opportunity for the township government to engage its own planning exercise.

The township and region government, with the support of the Union government must continue to develop and enforce legal and regulatory frameworks that allow for equitable land use and ownership. Additionally, they must invest in local road and bridge infrastructure to increase the accessibility of the township and enable local growth for both the urban and rural populations. In developing a local planning document the township should also consider how the ongoing increases in social sector spending should best be invested. Specific consideration should be given to how to best support the large migrant population that is present in the township. All these efforts will be critical in creating a jurisdiction that is not only attractive for investors and business, but that is able to support business development while ensuring that the local population benefits from investment and growth.

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