

Ideas on promoting growth and development in Myanmar

Robin Burgess

Director, IGC

Professor, London School of Economics

I will talk about 3 things today

- State capacity
 - Labor and development
 - Infrastructure
-
- → strong links to Myanmar Sustainable Development Plan

Myanmar

- Myanmar, with a large & young labour force, has big opportunities.
- However, most people lack the assets to be more productive. As the sole endowment of the poor, sustainable poverty reduction requires increasing labour earnings.

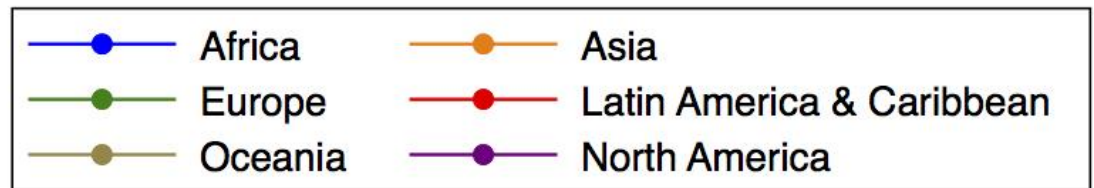
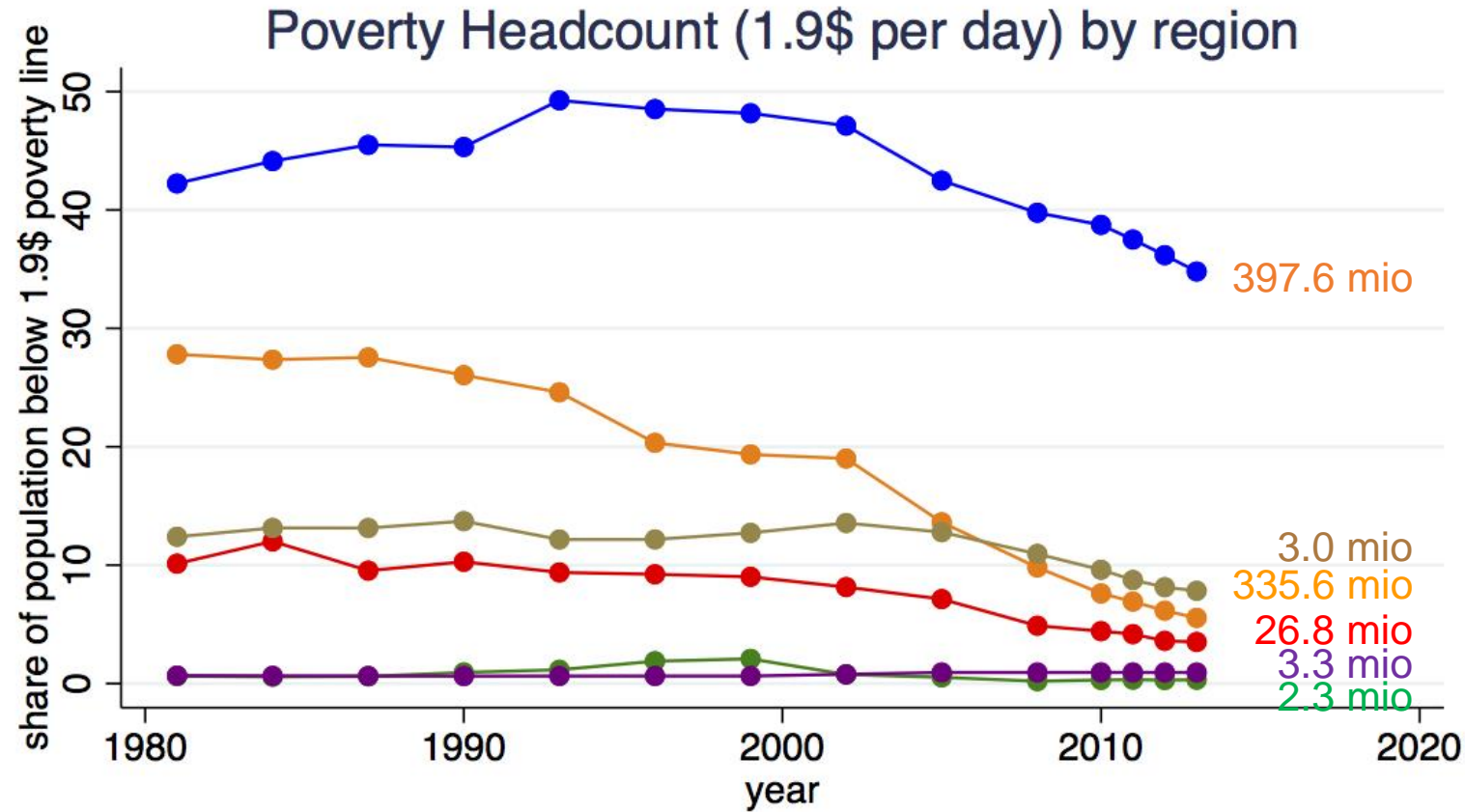
What can be done to increase the returns from labour?

- Encourage and support a shift into more productive activities – **structural change** – through needed **public investments**.
- To do this, we need to build state capacity to support this process.

How the government can support structural change

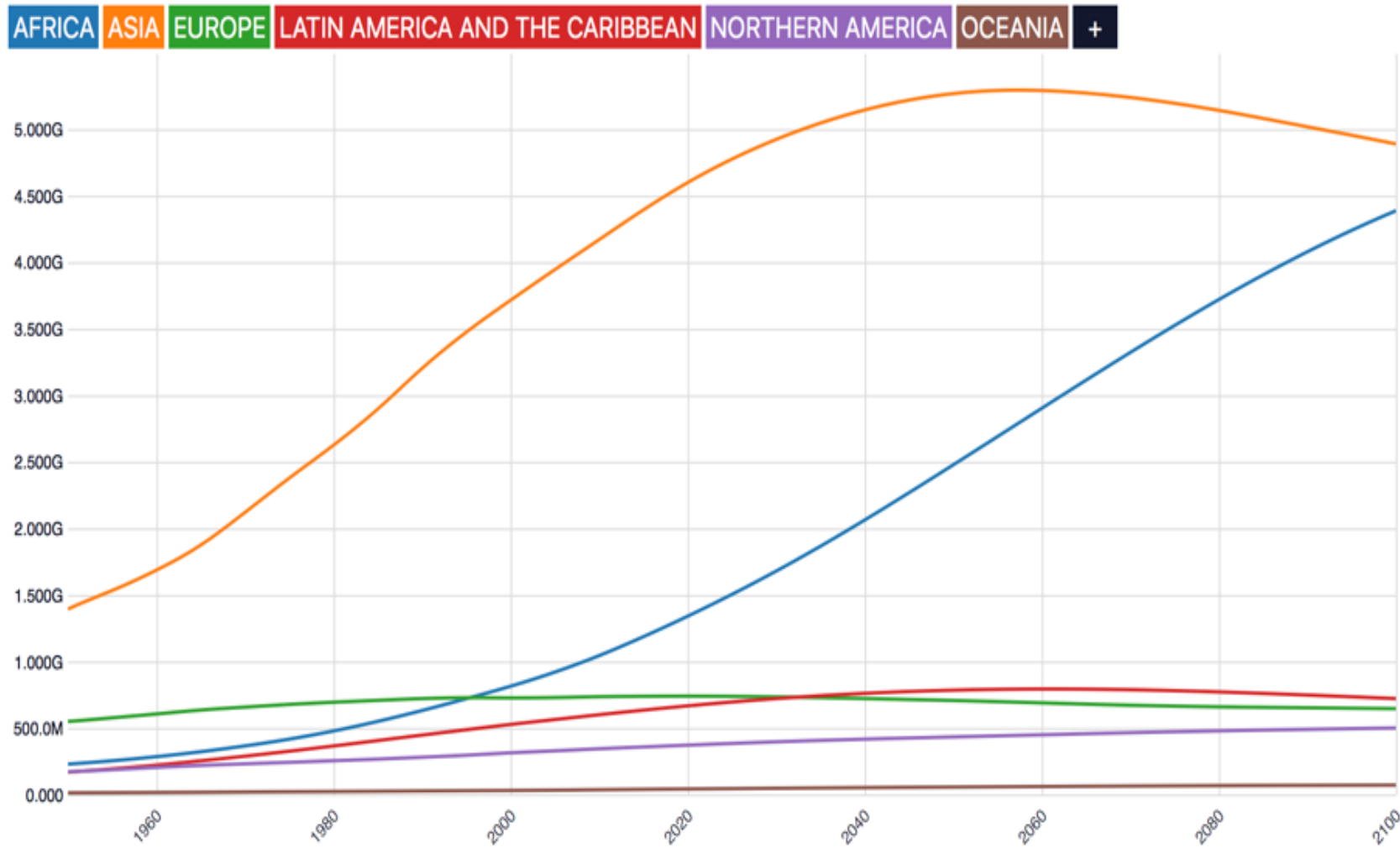
- Two approaches:
 1. **Bottom-up:** focusing on human capital, welfare programs & rural development
 2. **Top-down:** building up infrastructure, promoting trade and agglomeration

Poverty has been decreasing but is still high in Africa and Asia



These are the regions where population growth will be fastest

Population projections (1950-2100)



Eradicate extreme poverty by 2030 (SDG1)?

- Need to address the “stubborn poverty” problem: a lot of poor people are left behind even as countries grow.
- We need to understand why people stay poor in order to design policies that lift the poorest out of poverty
- 75% of extreme poor rural and of these majority work in agriculture (World Bank 2013)

State capacity

- Ensuring growth is inclusive is difficult, especially in areas affected by conflict and when the state needs more capacity to deliver necessary public investments.
- **‘Quick wins’** are extremely valuable early-on in establishing trust and providing the government with legitimacy
 - Reforms and projects do not need to be perfect; focus on speed and delivery
- With this in place, the focus then needs to turn to state effectiveness – making politicians and bureaucrats accountable, empowering civil servants and local governments, and raising finances for public investments through taxation.
- This will enable the state to effectively support the structural change necessary for sustained growth and development.

State capacity

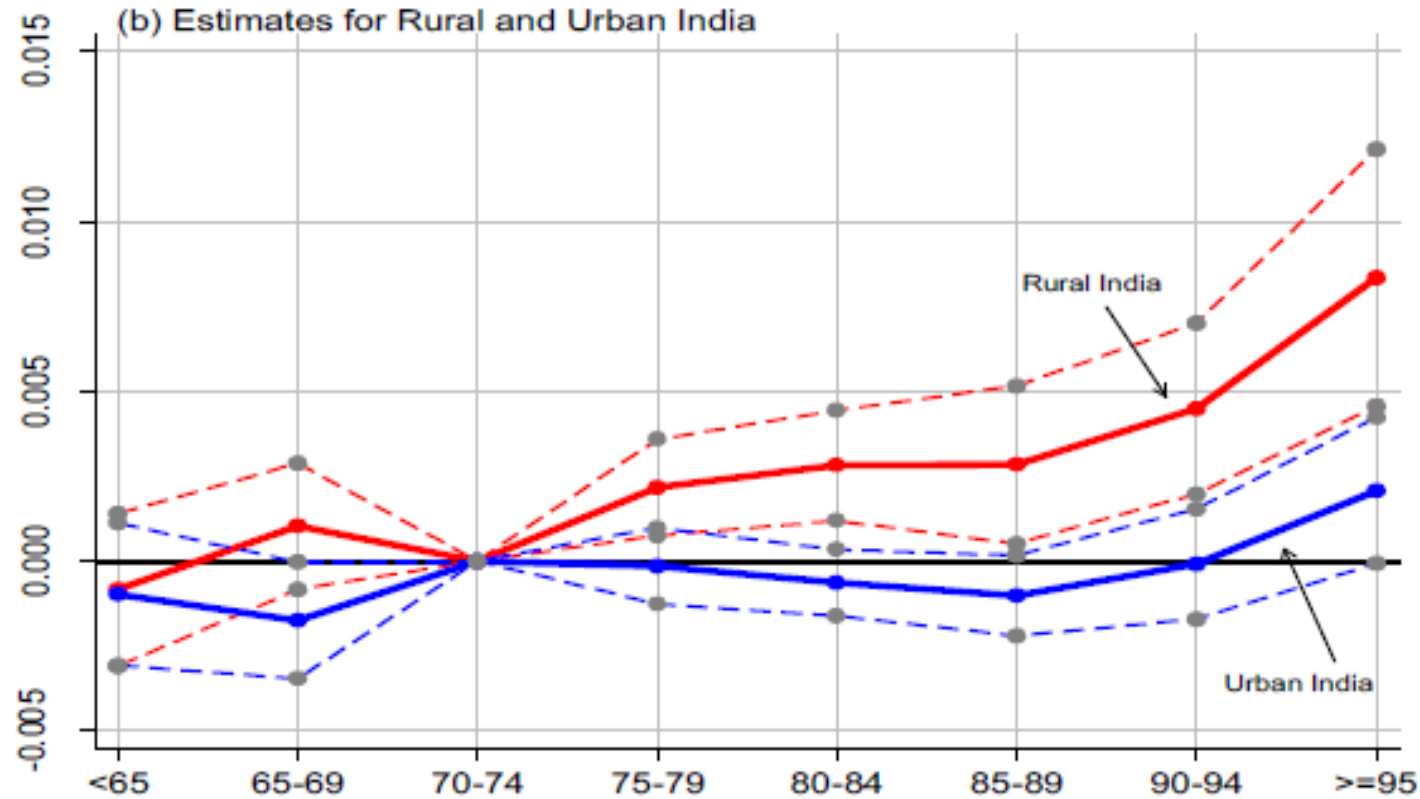
- Sovereignty – the country needs to decide on its own development path
- Development of implementation capacity of nationally owned programs key
- Civil service key here
- Cannot deliver national development through patchwork of NGOs and donors
- Accountability and legitimacy of government key

Labor and development

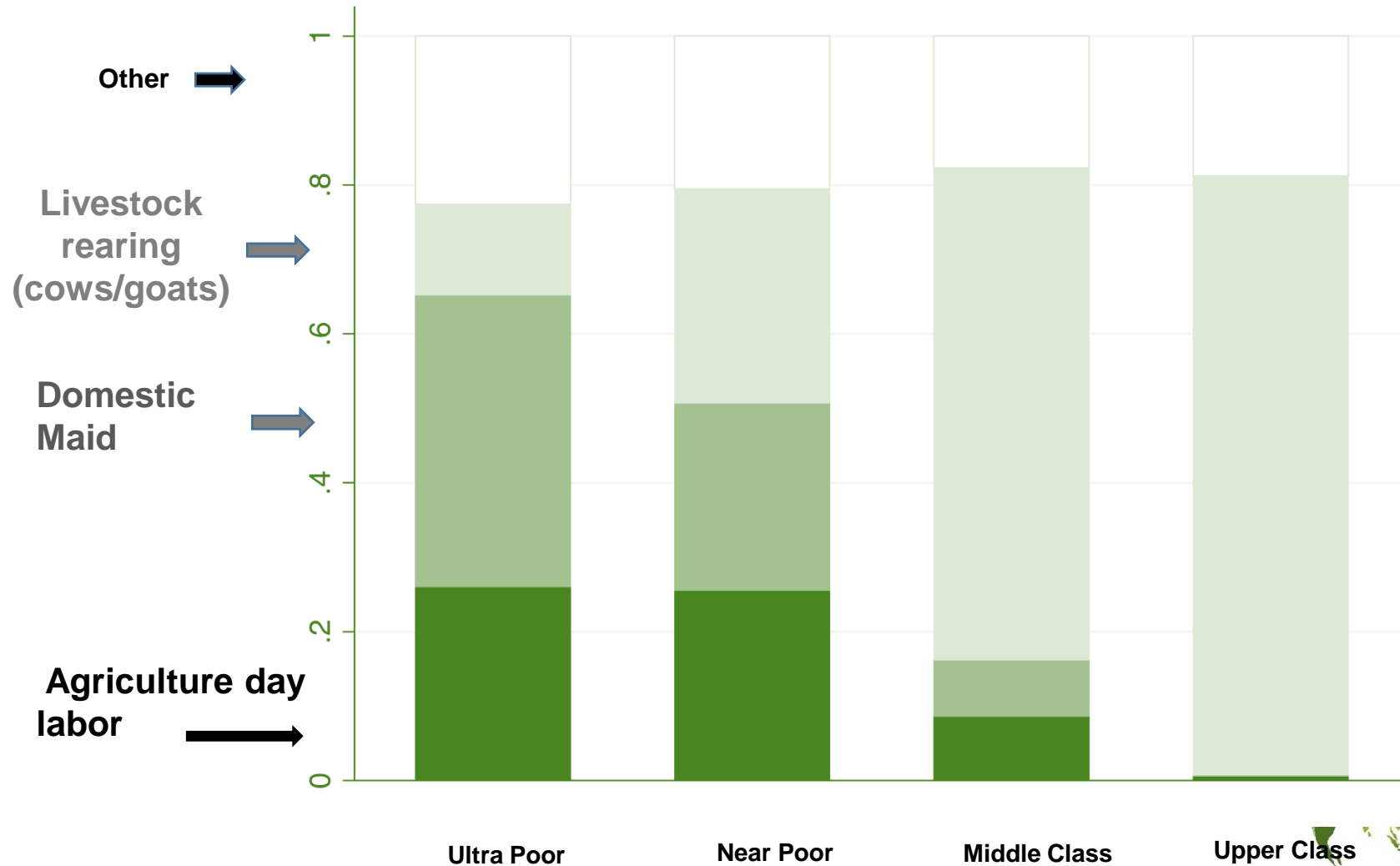
- Land concentration high → many dependent on working for others → wage laborers
- Landless wage laborers = lowest rung of employment ladder
- Sole endowment = unskilled labor → limited physical or human capital
- Limited involvement in capital or product markets
- For both landless laborers and subsistence farmer connecting them to these markets is key

Casual labourers are vulnerable to weather shocks

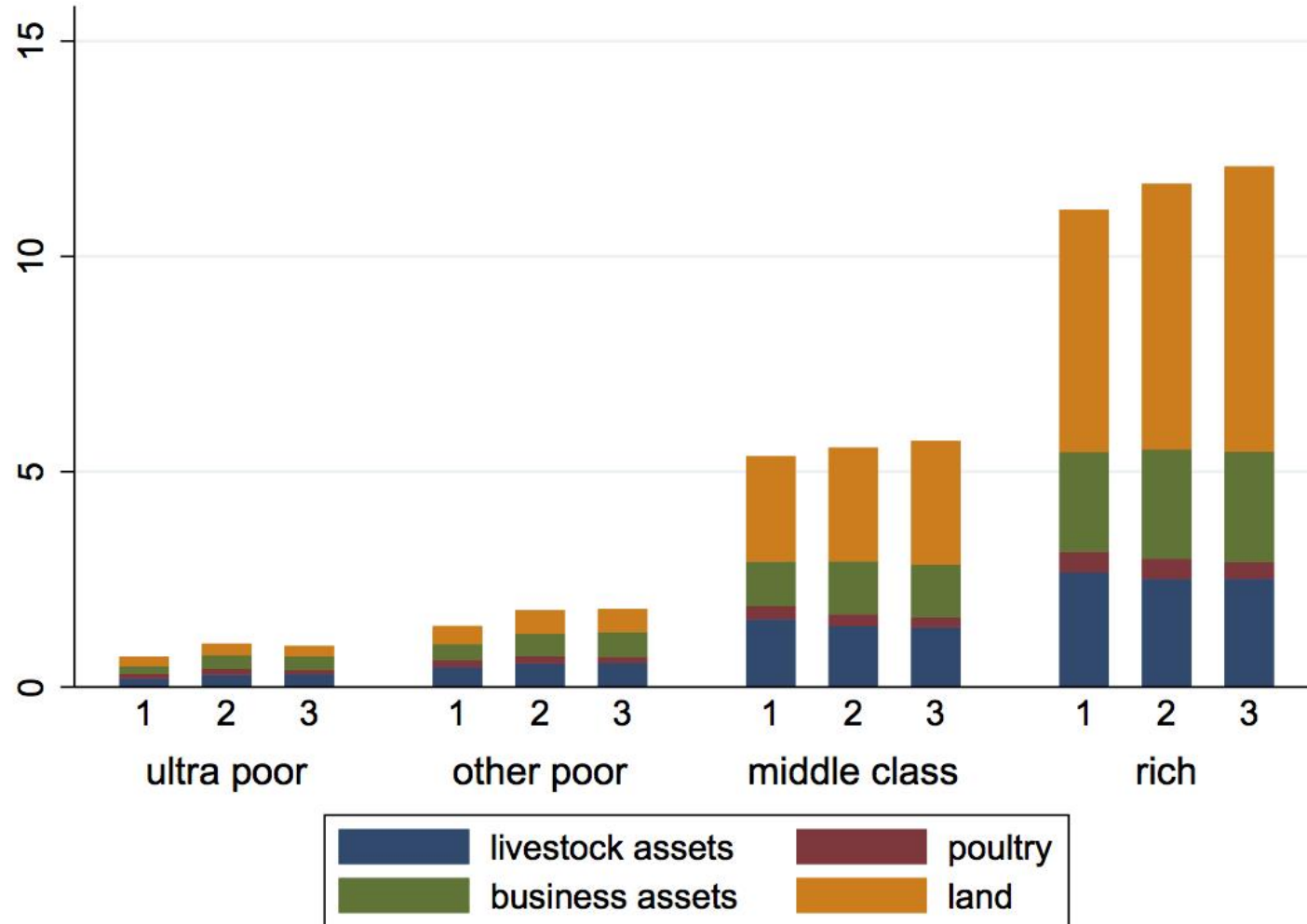
Impact of daily temperature on log all-age mortality rates in rural and urban India



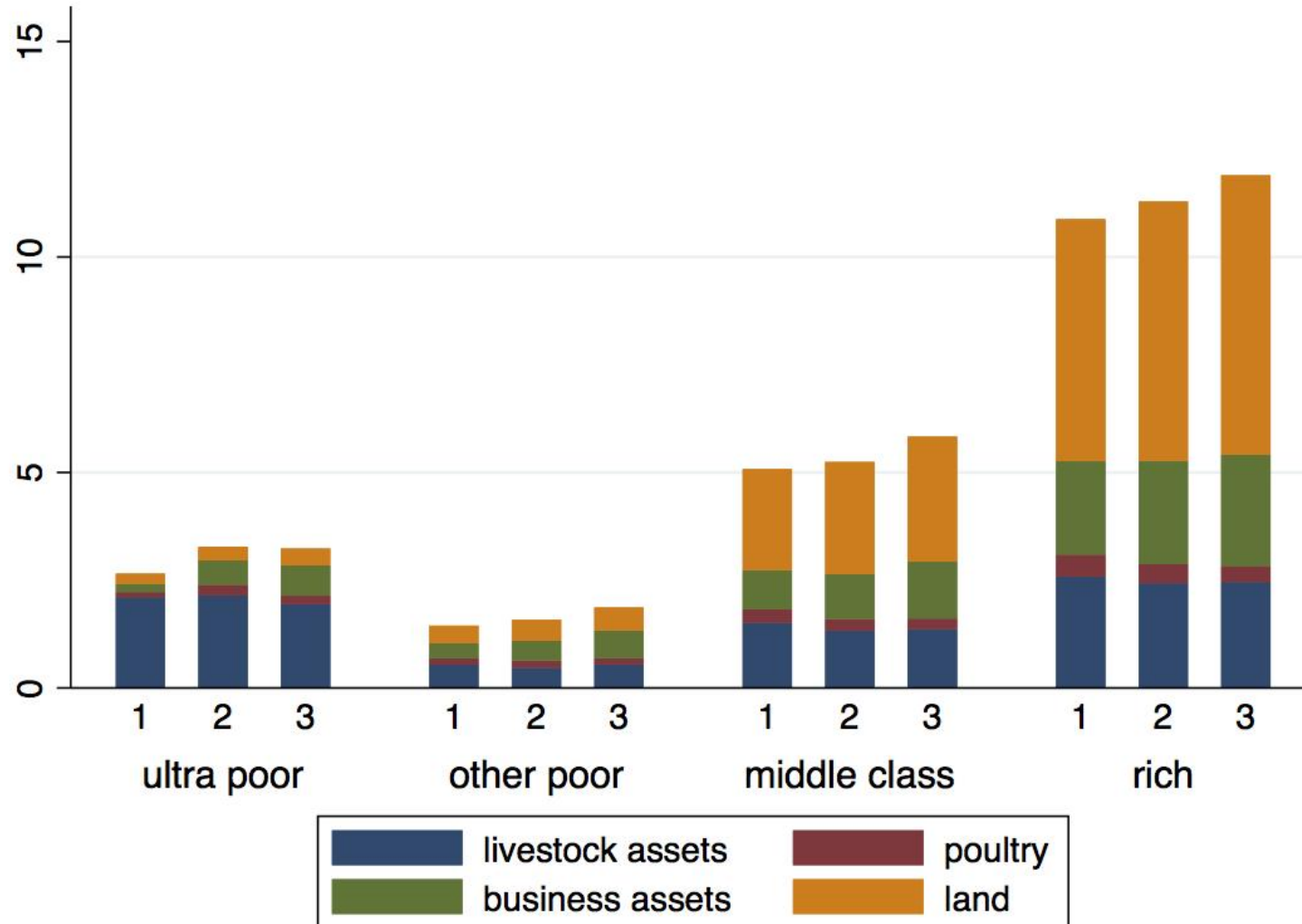
Casual labourers have a limited set of occupational choices



Productive assets: Control



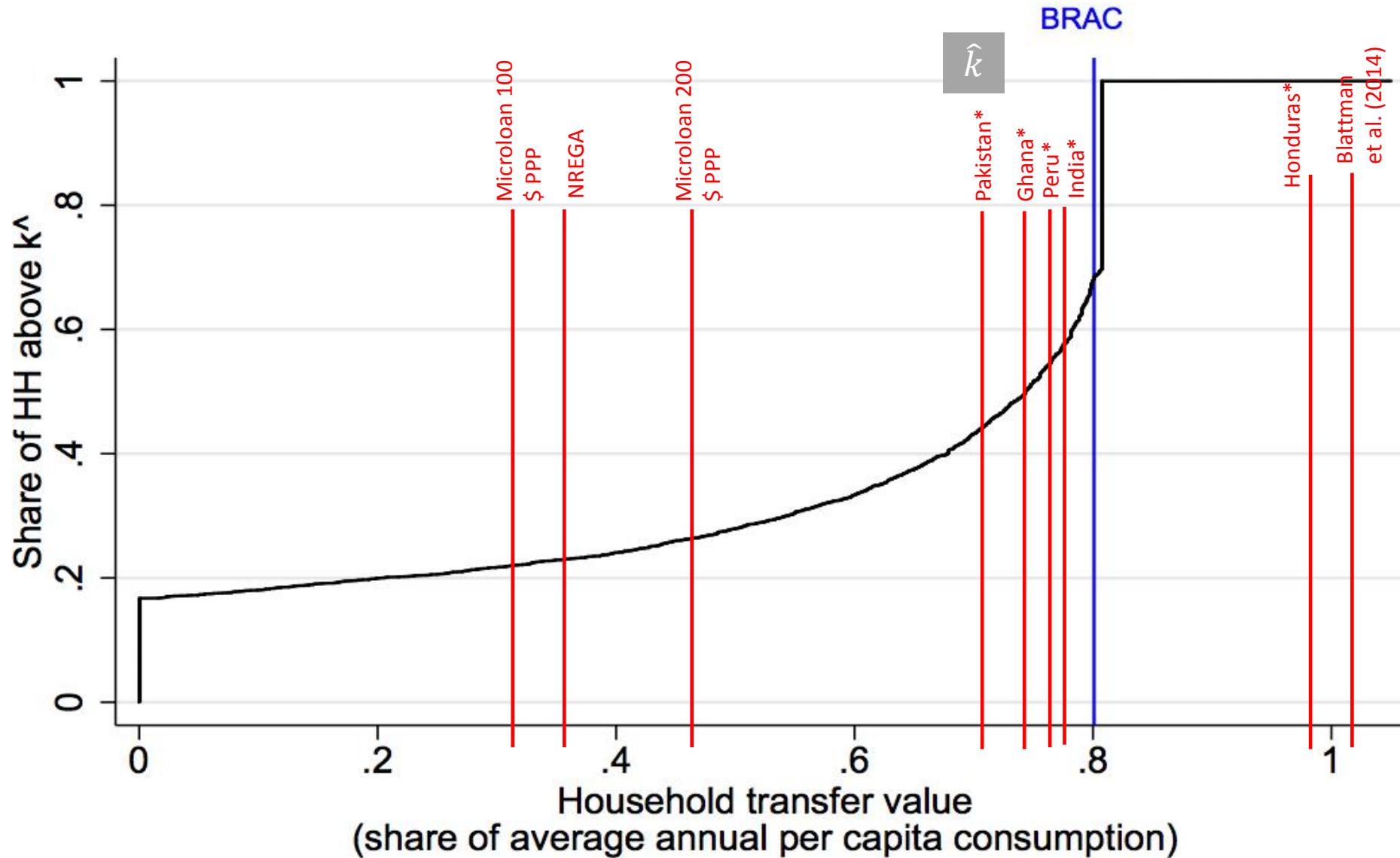
Productive assets: Treatment



Two views of why people stay poor

Equal access to opportunity, different traits	Unequal access to opportunity, same traits
<ul style="list-style-type: none">• People have different innate traits which determine their standard of living	<ul style="list-style-type: none">• People have different access to opportunity which determines their standards of living
<ul style="list-style-type: none">• Initial endowments do not matter, allocation of talent is efficient	<ul style="list-style-type: none">• Initial endowments matter, talent is misallocated
→ Social protection programs	→ Large asset/skill transfers

Percentage of HHs above k^* on transfer size



Labor and development

- Evidence that rural poor are locked into low productivity occupations
- Sufficiently large transfers of productive assets (and training) can allow households to change occupation sustainably
- Those households who are elevated above a poverty threshold save and invest year after year and diversify into other assets (e.g. land)
- Alternative approach: Address households' autarky by infrastructure investments to reduce marketization/trade costs and allow rural households/regions to trade

Infrastructure

- Infrastructure improves connectivity by reducing transport costs and increasing information which integrate markets and raise productivity
- It also facilitates gains from diversification; it changes the jobs individuals undertake and the hours they work in various activities
- A big push into developing necessary infrastructure (electricity, transport, communications) requires payments now but with significant gains in the future

Conclusions

- Large number of people trapped in poverty
- Key problem: no access to product markets
- Limited endowment of human / physical capital
- Characterised by being exposed to weather shocks
- If left alone they would only slowly move out of poverty
- Two means of connecting them to markets:
 - Allow them (through asset or financial transfers, training, education) to take on activities which then allow them to sell products.
 - Improve infrastructure to lower transportation costs. This will raise productivity and incomes. But also have a positive effect in mitigating to vulnerability to price increases and then mortality

Conclusion

- Myanmar, wedged between the giant markets of China & India, has huge potential
- Possible to eliminate extreme poverty from Myanmar by 2030
- A rapid transformation into higher value-added activities throughout the economy is possible
- To to this government needs to significantly improve state capacity for policy implementation
- Adopt bottom up public investment programs to lift up rural poor (graduation program, CDD, cash transfers, human capital programs)
- But also develop top down public investments to connect people to market (transportation and communication infrastructure, financial reforms)