Ideas on promoting growth and development in Myanmar

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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.

Poverty Headcount (1.9$ per day) by region

- Africa: 397.6 mio
- Asia: 335.6 mio
- Europe: 3.0 mio
- Latin America & Caribbean: 26.8 mio
- Oceania: 3.3 mio
- North America: 2.3 mio
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 $\rightarrow$ many dependent on working for others $\rightarrow$ wage laborers
- Landless wage laborers = lowest rung of employment ladder
- Sole endowment = unskilled labor $\rightarrow$ 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

- Domestic Maid
- Livestock rearing (cows/goats)
- Agriculture day labor
- Other

Share of time devoted to different occupations for Ultra Poor, Near Poor, Middle Class, and Upper Class.
Productive assets: Control
Productive assets: Treatment
Two views of why people stay poor

<table>
<thead>
<tr>
<th>Equal access to opportunity, different traits</th>
<th>Unequal access to opportunity, same traits</th>
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<tbody>
<tr>
<td>• People have different innate traits which determine their standard of living</td>
<td>• People have different access to opportunity which determines their standards of living</td>
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<tr>
<td>• Initial endowments do not matter, allocation of talent is efficient</td>
<td>• Initial endowments matter, talent is misallocated</td>
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<td>➔ Social protection programs</td>
<td>➔ Large asset/skill transfers</td>
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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 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)