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## Coping with COVID-19

### Protecting lives, employment, and incomes in Myanmar



- In brief:**
- The Government of Myanmar (GoM) is quite constrained in the extent to which it can provide effective and well-targeted economic support to workers, households, and businesses. Therefore, GoM should be very cautious of introducing health measures that have a large negative impact on economic activity, employment, and incomes.
  - Short-term employment and labour intensification programmes can build on systems that are already in place, be rolled out quickly, and be self-targeting. Myanmar should prioritise such programmes in the short-term, as they can provide immediate and effective support to those most in need.
  - Effective governance is the factor that matters most in determining how effectively a country copes with COVID-19. Governance in Myanmar can be enhanced by increased collaboration with civil society, empowering subnational and local authorities, and building public trust.
  - As and when Myanmar can start looking ahead to moving from coping to recovery, it will be important to draw on good monitoring and evaluation of the health and economic response to COVID-19 and consider the implications of the response for the design and implementation of medium and longer term strategies.

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## Context

Myanmar has already experienced significant economic shocks as a result of COVID-19, due to both domestic and international effects. GDP growth for 2019/20 will be much lower than had been anticipated, and Myanmar may even go into recession. Some areas of the economy have been particularly badly affected, such as tourism, manufacturing, and remittances.

In April 2020 the Government of Myanmar (GoM) introduced a range of domestic restrictions on peoples' movement and economic activity and then, in the context of low rates of infection, was able to relax many of them. But after a second and much larger wave of cases started in August 2020 new restrictions have been enforced leading to renewed major economic disruptions. Further, Myanmar continues to be affected by international economic effects, e.g. a reduction in foreign tourists to Myanmar, restrictions on Myanmar migrants working in recipient countries, difficulty in accessing certain imports, barriers to exports, declines in foreign investment, and an overall global decline in aggregate demand.

Going forward, there remains a high level of uncertainty around the factors influencing virus transmission for COVID-19, a high level of uncertainty about the development of the pandemic around the world, and a high level of uncertainty for the global economic outlook. In addition, it is clear that how consumers change their behaviour with respect to issues such as visiting public spaces, and how much money they spend and what they spend it on, will play a huge role in determining the overall impact of COVID-19 on the Myanmar economy. All of this means that it is not possible to accurately predict the economic and health situation of Myanmar in 3 months', 6 months', or 1 years' time.

In the context of such a high level of uncertainty, it is more important than ever that policymaking in Myanmar is flexible, well-informed, and able to respond quickly to emerging trends. In particular and because GoM is quite constrained in the extent to which it can provide economic support to workers, households, and/or businesses, it will need to be very cautious about introducing health measures that have a large negative impact on economic activity, employment, and incomes. The social costs of health measures also need to be considered, for example increased domestic violence and child abuse as a result of stay-at-home orders, or negative social and educational impacts on children if schools are closed for extended periods. Clarity of communications and messaging to the public about the health situation, what is and what is not safe, what appropriate behaviour to follow, and about planned support measures will also be very important in building trust and influencing consumer behaviour.

## COVID-19 Economic Relief Plan (CERP)

On 27 April 2020 GoM published, 'Overcoming as One: COVID-19 Economic Relief Plan' (CERP). CERP has a broad scope and effectively covers the main areas for which economic and other interventions are needed in response to COVID-19. In many cases the proposed actions outlined in CERP were very clear and could be implemented quickly. In other cases, further work has been required to clarify which policies and programmes should be prioritised for funding, and how they should be implemented. It is also important to carefully monitor the implementation and impact of actions under CERP so that modifications to the plan and future actions can be made, as needed, and to ensure transparency and accountability.

For CERP's goals one and two (improving the macro-economic environment and easing the impact on the private sector), the Central Bank of Myanmar has implemented a range of actions to provide a monetary stimulus to the economy. GoM has also implemented a range of fiscal measures including offering tax relief, credit support and loan relief, and simplification of processes for investment and trade. Some of these measures will need to be continued and even expanded including: ensuring that farmers have access to liquidity in time for planting and harvesting seasons; working with neighbouring countries to keep border trade in agricultural inputs and products flowing; and promoting the creation of 'safe

corridors' or 'travel bubbles' for tourists from neighbouring countries with very low levels of COVID-19. In developing and implementing further such measures, it will be important to ensure that small and medium enterprises and those operating in the informal sector are both aware of the measures being offered by the government and able to benefit from them. GoM also needs to be cautious in providing additional tax incentives and should ensure that these are only for a limited time period, especially given that in recent years one of the biggest barriers to GoM improving tax collection has been the increasing number of tax incentives available to businesses under various laws and policies, whose effectiveness has often not been verified.

For CERP's goals three and four (easing the impact on workers and households), unemployed workers that are covered by the Social Security Board (SSB) have already benefited from a range of support measures, and the provision of up to 150 units of free electricity per month to all households connected to the electrical grid has been extended through to December 2020. However, only 6% of the labour force is covered by SSB and poor and vulnerable households are considerably less likely than average to be connected to the electrical grid. Cash transfers, in-kind transfers, and employment programmes all have much greater potential to benefit households that are most in need of assistance. In this regard the General Administration Department's (GAD) programmes first to distribute food rations during Thingyan and then to provide cash transfers to deserving households (including those that may inadvertently have been excluded from the initial food distribution) were all well-intentioned efforts to target relief to the poorest and most vulnerable households from which valuable lessons can be drawn to inform future programming, especially in ensuring that the assistance is provided to those most in need. Similarly, the public employment programme implemented by the Department of Rural Development (DRD) in 3,500 villages across Myanmar between June and September 2020 represents another step to try to support many of the poorest and most vulnerable households.

Finally for CERP's goals five, six and seven (promoting innovative products and platforms, health care system strengthening, and increasing access to COVID-19 response financing), it is already clear that the transition to a more digital environment in Myanmar is being accelerated with the adoption of more digital services to help reduce social interactions. GoM has also been able to reallocate part of the existing budget in support of COVID-related measures and to mobilise additional external financing. A substantial proportion of the additional financing will go to strengthen the capacity of the healthcare system to deal with the COVID-19 pandemic, including improvement of quarantine and other healthcare facilities, importation of key medical products, and preventive measures such as disinfection, establishment of handwashing stations, and lockdowns as and when needed. Policymakers should carefully evaluate whether the benefits to be derived from each potential health policy aimed at stopping the spread of COVID-19 are worth the economic and social cost that these measures may entail.

**Table 1: Goals and main strategies of CERP.**

Goal	Main strategies
<b>Goal 1: Improve macroeconomic environment through monetary stimulus</b>	<i>Lower interest rates, lower minimum reserve requirements</i>
<b>Goal 2: Ease the impact on the private sector through improvements to investment, trade &amp; banking sectors</b>	<i>Loan fund for MSMEs; corporate income and commercial taxes deferral; provision of cash or loans to smallholder farmers for input purchases; simplified procurement, approval and import processes; reducing the need for export licenses</i>
<b>Goal 3: Easing the impact on laborers and workers</b>	<i>Extend terms of healthcare benefits for SSB members, implementation of community infrastructure projects</i>

<b>Goal 4: Easing the impact on households</b>	<i>Subsidised electricity for households, cash, and in-kind transfers</i>
<b>Goal 5: Promoting innovative products and platforms</b>	<i>Promotion of mobile, wire, and card payments and of e-commerce</i>
<b>Goal 6: Health care systems strengthening</b>	<i>Upgrade of health and quarantine facilities, recruitment of medical personnel, importation of medical products</i>
<b>Goal 7: Increase access to COVID-19 response financing</b>	<i>Budgets reallocation and increase the COVID-19 Fund and Contingency fund</i>

Source: Adapted from *Overcoming as One: COVID-19 Economic Relief Plan*.

## Minimising the spread of COVID-19

Promoting good hygiene and social practices is a low-cost intervention with a potential high impact and does not require the collection of data to verify whether it produces benefits or not. Prompt identification and isolation of positive cases is a key strategy to contain the contagion. Myanmar should continue increasing the number of tests it is conducting and adopt alternative approaches, such as targeted and pooled testing, when more general testing is not possible. In order to contain the spread of COVID-19, almost every country in the world has enforced, with different degrees of strictness, some kind of social distancing and mask wearing. Stricter measures such as lockdowns are likely to do more to directly limit the spread of COVID-19, but the social and economic costs that these entail must be carefully considered, for example if people are forced to stay at home without any source of income. As several candidate vaccines are already undergoing clinical evaluation, GoM should also start working with partners to secure access to the vaccine once it is ready and safety is assured. GoM should also promote public education about the potential vaccine to avoid disinformation and distrust among the population and take all the preliminary steps to ensure a proper mass vaccination campaign.

**Figure 1: Summary of GoM's implemented containment strategies.**



Source: Authors' summary.

## Protecting vulnerable households

Myanmar currently has a very limited social protection system, which does not have the capacity to fully cushion the economic shocks experienced as a result of COVID-19. It is important that GoM continues to expand its social protection system in a coordinated and effective manner both to help households deal with the immediate impact of the COVID-19 crisis, and to strengthen the foundation for longer term security and poverty reduction. Cash and in-kind transfers to poor and vulnerable households and employment schemes are policy instruments that can help meet these immediate and longer-run goals. If implemented well, they can effectively target GoM's resources towards households that are most in need of assistance.

### Cash and in-kind transfers

- Universal transfers are not affordable for Myanmar, and targeted transfers should be preferred – as in the case of GAD's food rations and cash transfer programmes. However, targeting is not easy, as has been clearly shown with the food rations programme where 19% of poorer households from the bottom welfare quintile received the transfer but 14% of the richest households from the top quintile also received the transfer. Going forward it is important that targeting is seen as fair, transparent, and reaching those in need. Important aspects of this include (but are not limited to):
  - Deciding on how much funding to allocate to each state/region, township and ward/village tract can be performed by GoM and its agencies, relying on detailed data, including the Multidimensional Disadvantage Index.
  - Identifying beneficiary households within each ward/village tract is best done by a group of people within that community, such as the ward/village tract administrators, 100 household heads, leaders from parahita organisations, and religious leaders. A minimum level of female representation in these groups should be required.
  - The group of people within each ward/village tract that are responsible for identifying beneficiary households should be given clear budget ceilings, telling them how exactly many households they should identify, as well as identification criteria to ensure transparency and accountability.
- Given the fact that in-kind transfers can be implemented in a one-off fashion, or whenever required, without any long-term fiscal implication, they represent a useful policy tool to support the population in cases of food availability issues, due to supply chain disruptions or restrictions.
- Cash transfers can also be used as a one-off substitute for in-kind transfers. But if these transfers are one-off (or temporary), this needs to be clearly communicated so that recipients understand that the transfers are of an emergency nature and not the start of a more regular programme. Regular cash transfers represent a much larger and long-term fiscal commitment than one-off or temporary cash transfers for the government. Accordingly, regular cash transfers need to be very carefully designed – which is typically not feasible in situations of emergency.

### Employment schemes

- In the short run, given the difficulties in quickly setting up and administering long-term nationwide public works programmes, GoM should promote short-term locally implemented public works programmes and labour intensification of government infrastructure spending. Such programmes can employ large numbers of daily-wage workers in a broad range of activities (e.g.

local road and irrigation construction and maintenance; planting community forests; street cleaning and street painting; and other types of small-scale infrastructure). The public employment programme being implemented by DRD is a specific example.

- Such programmes do not need to be targeted specifically towards certain types of people, such as those from certain occupations, those that have lost their jobs, or returning migrants. Indeed such programmes can be self-targeting and require just that careful attention is paid to setting the wage rate – in low wage areas the daily wage should be the legal minimum wage (MMK 4,800), and in higher wage areas it should reflect the local prevailing wage. These types of programme should be supported in both rural and urban areas.
- In the long-run, GoM should consider introducing a nationwide Public Works Programme that guarantees a certain amount of daily wage work for those that want it and that can help address the massive deficit in local infrastructure in Myanmar. Such a programme is expensive, and quite complicated to run, but can have significant benefits. The decision on whether to implement such a programme should consider how it would relate to improving the social protection system, and what it can contribute to decentralisation goals.

The size of the COVID-19 outbreak in Myanmar makes it unlikely that the emergency will be over in a short period of time. Differently from other policy instruments such as cash transfers and a nationwide Public Works Programme, short-term employment and labour intensification programmes can build on systems that are already in place, be rolled out quickly, and be self-targeting. It is therefore recommended that GoM increases the priority given to such programmes in the short-term, as they can provide immediate and effective support to those most in need.

### **Digital delivery of transfers and payment of wages**

Digital delivery of transfers and payment of wages offers a number of potential benefits compared to physically transferring cash, including the reduction of administrative costs and corruption. However, it is not yet appropriate to only provide cash transfers and wage payments digitally. Thus, future cash transfers and employment schemes should adopt an approach tailored to the context.

- In locations where there is easy access to digital payments agents or high penetration of formal bank accounts, the first preference is to provide transfers and pay wages digitally. However, households and workers should also have the option to receive physical cash if they are not able to receive such transfers and payments digitally.
- In locations where there is not easy access to any source of digital payment physical cash transfers and wage payments will need to be used. Fortunately, a rapidly increasing proportion of the country now has the potential for digital access.

GoM should continue its work with private providers to rapidly expand the networks of digital payments agents in Myanmar and promote financial inclusion.

### **Strengthening governance**

As is increasingly apparent from experience across the globe, effective governance perhaps more than overall level of development is the factor that matters most in determining how effectively a country copes with COVID-19. In this regard, GoM has clearly recognized that coping effectively with COVID-19 will require a whole of government approach and good coordination both across agencies and between different levels of government. Dedicated COVID-19 response committees have been put in place at union, state/region, district, and townships levels of the state to help provide for coordination of

different government bodies and in some cases with non-government entities as well. For Myanmar to experience the full benefits of these committees it is important to ensure that civil society organisations and religious leaders are properly represented on all committees and that ethnic health organisations are also represented in areas in which they operate. Civil society organisations, community-based organisations, and religious networks are highly trusted by citizens and already play a large role in providing basic services. Cooperating more thoroughly with them in the response to COVID-19 can help with the immediate response and contribute to greater cooperation on other aspects of governance in the future. Effective coordination with other external stakeholders including international donors is also of critical importance.

Within the existing structure of committees and agencies, giving greater authority to subnational and local authorities is likely to improve the overall ability of the system to cope with the COVID-19 pandemic. Relative to other countries Myanmar is a highly centralised country with around 90% of total government spending controlled by the union government. Moreover, at the township level where much government spending actually takes place, the spending of line departments is tightly controlled by line ministries in Nay Pyi Taw and there is very little coordination between line departments. As with many aspects of economic and social life in Myanmar, the COVID-19 crisis is having different kinds and degrees of impact in different locations, and governance can be more responsive to these different needs if greater authority is given to subnational levels of state.

Governance both during COVID-19 and beyond can also be enhanced by looking at intra-organisational issues and how well specific government agencies understand what their core missions, functions, and processes should be; what they can expend with; where technology can appropriately be used for business continuity and improved service delivery; and how management practices should be revised to complement these changes. This will involve looking at the interactions between the use of technology, workplace arrangements such as staff rotations and remote-working, and management practices including incentive structures, performance management, and accountability mechanisms and their effects on teamwork, performance, well-being and inequality.

In the context of the extreme uncertainty with respect to COVID-19 and its impacts on the economic and health situation in Myanmar, it is even more pressing than ever for GoM at Union, state/region, and township levels to upgrade its ability to collect relevant and timely data, and to effectively analyse such data so that on-going programs can be effectively monitored and future policymaking and programme development can be better informed. In this context, there are a number of specific examples of data collection and analysis projects (e.g. in Mandalay) from which broader lessons can be learned. There are also many examples of innovative forms of data collection being put in place in a situation where more traditional forms of data collection, for example through on the ground surveys, may not be possible.

Finally, the experience of other countries (both developed and developing) is showing clearly that coping effectively with COVID-19 depends to a huge extent on effective leadership and the public at large having trust in government institutions. For many years, trust in institutions and other members of society has generally been low in Myanmar. But there are exceptions, with much of the population having a high level of trust in the State Counsellor and religious leaders. In addition, at ward and village levels, there is often a high level of trust and cooperation between residents. GoM should strategically use these channels to communicate information to the public and mobilise their response. Further, there is scope for government institutions that currently may not enjoy high levels of trust with the public – for example township authorities – to try and increase this by improving communication and participation in decision-making and providing services effectively.

## From coping to recovery

As and when Myanmar can start looking ahead to moving from coping to recovery, it will be important to draw on good monitoring and evaluation of GoM's health and economic response to COVID-19 and consider the implications of the response for the design and implementation of GoM's longer term strategy as reflected in the Myanmar Sustainable Development Plan, 2018-30. In this regard, there are a number of clear examples:

- Strategy 1.2 to “promote equitable and conflict-sensitive socio-economic development throughout all states and regions” can benefit from the experience gained both in coordinating the response to COVID-19 and developing and implementing transfer and employment programmes to benefit poor and vulnerable households;
- Strategy 1.4 to “enhance good governance, institutional performance and improve the efficiency of administrative decision-making at all levels” can also benefit from the overall experience gained in coordinating the response to COVID-19, and including through the collection and analysis of relevant data for policy making;
- Strategy 1.5 to “increase the ability of all people to engage with government” can benefit from the experience gained with the COVID-19 response committees and how effectively they have been able to work with civil society and promote public engagement;
- Strategy 2.3 to “increase domestic revenue mobilization through a fair, efficient and transparent tax system” can be informed by the lessons learned from the array of fiscal measures GoM has taken in response to the crisis;
- Strategy 3.4 to “further reform our trade sector and strengthen regional and international cooperation and linkages” can benefit from the experience gained, including the Ministry of Commerce's (MOC) intention to “review all export applications, licenses and permits, and remove those that are not required to maintain market access or to protect health, safety and security”;
- Strategy 4.2 to “strengthen health services systems enabling the provision of universal healthcare using a path that is explicitly pro-poor” can benefit enormously from the experience gained in implementing CERP's overall goal of “health care systems strengthening”; and
- Strategy 4.3 to “expand an adaptive and systems based social safety net and extend social protection services throughout the life-cycle” can benefit greatly from the experience gained in implementing cash and in-kind transfers, employment programmes and other measures to support poor and vulnerable households.