

**Briefing note**

South-South Parliamentarian Cooperation Project

**Rural Development and Decentralization in Myanmar**

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## Abbreviations

GDP	-	Gross Domestic Product
OECD	-	Observatory of Economic Complexity
LDFs	-	Local Development Funds
PRF	-	Poverty Reduction Fund
CDF	-	Constituency Development Fund
RDF	-	Rural Development Fund
GAD	-	General Administration Department
DRD	-	Department of Rural Development
MALI	-	Ministry of Agriculture, Livestock and Irrigation
NCDD	-	National Community Driven Development
JSDF	-	Japanese Social Development Fund
MEB	-	Myanmar Economic Bank
MADB	-	Myanmar Agricultural Development Bank
UNFAO	-	United Nations Food and Agriculture Organization
OECD	-	Organization for Economic Co-operation and Development
UNOPS	-	United Nations Office for Project Services
FDI	-	Foreign Direct Investment

# Rural Development and Decentralization in Myanmar

## I. Introduction

The Republic of the Union of Myanmar is the largest country in the mainland of Southeast Asia with an area of 676,577 square kilometers bordered by Bangladesh, India, China, Lao PDR and Thailand.<sup>1</sup> According to the 2014 World Bank report, Myanmar is a lower-middle income country with a Gross Domestic Product (GDP) per capita of USD 1,203.<sup>2</sup> The total GDP of Myanmar is approximately USD 64.33 billion and population estimates range from 51.4 million<sup>3</sup> to 53.44 million people.<sup>4</sup> The economy grew at 8.5 percent in the 2014/15 fiscal year, but the World Bank expects this to moderate to 6.5 percent this year by reason of natural disasters and slowing investments.<sup>5</sup> As stated in the Observatory of Economic Complexity (OEC) measurement, Myanmar is the 84<sup>th</sup> largest export economy in the world.<sup>6</sup>

Since 2011, the government has been undertaking several initiatives for rural development and decentralization in Myanmar.<sup>7</sup> Under the 2008 Constitution, seven states and seven divisions, six Self-Administered Zones and Self-Administered Divisions and One Union Territory have been established as the basis of subnational governance.<sup>8</sup> Regarding rural development in Myanmar, the government has implemented a national strategic plan to support poverty alleviation with eight priority areas to improve the socio-economic life of the people.<sup>9</sup> In accordance with the government's national strategic plan, policymakers have focused on the agricultural sector in rural development because approximately 70 percent of the population live in rural areas and their main livelihood is agriculture which is the backbone of the economy of the country.<sup>10</sup> Therefore, the development of rural areas is very important because it affects 70 percent of the population.

This paper describes the current situation and challenges of rural development and decentralization in Myanmar and also focuses on agriculture and the government decentralization framework to improve this sector. This study is based on secondary data.

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<sup>1</sup> Ministry of Foreign Affairs, "Introduction of Myanmar", accessed on 30 March 2016, available at URL: [http://www.mofa.gov.mm/?page\\_id=12](http://www.mofa.gov.mm/?page_id=12)

<sup>2</sup> World Bank, "GDP per capita (current US\$)", accessed on 4 April 2016, available at URL: <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

<sup>3</sup> Department of Population, Ministry of Immigration and Population, "The 2014 Myanmar Population and Housing Census: The Union Report Census Report, Volume 2", p.12, May 2015, accessed on 4 April 2016, available at URL: [http://unstats.un.org/unsd/demographic/sources/census/2010\\_phc/Myanmar/MMR-2015-05.pdf](http://unstats.un.org/unsd/demographic/sources/census/2010_phc/Myanmar/MMR-2015-05.pdf)

<sup>4</sup> World Bank, "Myanmar", accessed on 28 February 2016, available at URL: <http://data.worldbank.org/country/myanmar>

<sup>5</sup> World Bank, "Overview", October 2015, accessed on 2 April 2016, available at URL: <http://www.worldbank.org/en/country/myanmar/overview>

<sup>6</sup> Observatory of Economic Complexity (OEC), "Burma", accessed on 4 March 2016, available at URL: <http://atlas.media.mit.edu/en/profile/country/mmr/>

<sup>7</sup> World Wide Web Virtual Library, "Online Burma/ Myanmar Library", accessed on 29 February 2016, available at URL: <http://www.burmalibrary.org/show.php?cat=3560>

<sup>8</sup> 2008 Constitution of Myanmar, "Chapter II, State Structure", accessed on 24 February 2016, available at URL: <http://www.burmalibrary.org/show.php?cat=3482&lo=d&sl=0>

<sup>9</sup> Daw Win Myint, Deputy Director General, Planning Development, "Policies for growth and development in Myanmar", accessed on 1 March 2016, available at URL: <http://yangon.sites.unicnetwork.org/files/2013/05/Policies-for-growth-and-development-in-Myanmar-13-2-2012DWM.pdf>

<sup>10</sup> World Bank, "Myanmar and the World Bank: Reengaging through Community Driven Development, to Tackle Poverty in Rural Villages", accessed on 24 February 2016, available at: URL <http://www.worldbank.org/en/news/feature/2012/11/22/myanmar-wb-reengaging-through-cdd-to-tackle-poverty-in-rural-villages>

## II. Current Situation of Rural Development and Decentralization

Myanmar is rich in natural resources, agricultural land, water resources and a suitable climate for cultivation.<sup>11</sup> As it is located at the intersection of China and India, which are two of the world's most powerful economies,<sup>12</sup> Myanmar could be a regional commercial hub. After decades of centralized authority, the government has reformed its political, social, economic and institutional sectors towards democratic governance.<sup>13</sup> According to the 2008 Constitution, the three branches of sovereign power - legislature, judiciary and executive - are separated.<sup>14</sup> Moreover, the government has implemented policies to develop more “people-centered” and “bottom-up” access to planning and budgeting.<sup>15</sup>

In March 2011, the government set up strategic plans for decentralization efforts to improve citizens' lives.<sup>16</sup> The country is organized into many levels of subnational governance such as states and regions, districts, townships, towns, and village tracts/wards<sup>17</sup> which are mainly administrated within seven regions, seven states and one Union territory.<sup>18</sup> A Chief Minister for each state and region was appointed by the President and there is a unicameral legislative assembly in each state and in each region. However, the Union Parliament is the superior body that passes laws to operate at the state and regional level.<sup>19</sup> According to the 2008 Constitution, the state and region parliaments can enact laws that pertain to the eight categories of the Schedule II, “Region or State Legislative List”.<sup>20</sup> They can enact laws in relation to land revenue, municipal taxes on buildings and land, and the sale, lease and other issues of property in the Region or State.<sup>21</sup>

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<sup>11</sup>World Bank, “Overview”, October 2015, accessed on 30 March 2016, available at URL: <http://www.worldbank.org/en/country/myanmar/overview>

<sup>12</sup> Ibid.

<sup>13</sup>Peter Chalk, Australia Strategic Policy Institute, “Special Report”, December 2013, p.1, accessed on 30 March 2016, available at URL: [https://www.aspi.org.au/publications/on-the-path-of-change-political,-economic-and-social-challenges-for-myanmar/SR62\\_Myanmar.pdf](https://www.aspi.org.au/publications/on-the-path-of-change-political,-economic-and-social-challenges-for-myanmar/SR62_Myanmar.pdf)

<sup>14</sup> 2008 Constitution of Myanmar, “Chapter I, Basic Principles of the Union”, accessed on 1 March 2016, available at URL: <http://www.burmalibrary.org/show.php?cat=3482&lo=d&sl=0>

<sup>15</sup> Bart Robertson, Cindy Joeline and Lauren Dunn, Asia Foundation, “Local Development Funds in Myanmar”, October 2015, p ii, accessed on 26 April 2016, available at URL: <http://asiafoundation.org/resources/pdfs/LocalDevelopmentFundsENG.pdf>

<sup>16</sup>Rick, Bajornas, United Nations, “Government Legal and Regulatory Framework”, accessed on 28 March 2016, available at URL: <http://www.myanmar-responsiblebusiness.org/pdf/SWIA/Tourism/04-Government-Legal-Regulatory-Framework.pdf>

<sup>17</sup> Jared Bissinger, Asia Foundation, “Local Economic Governance in Myanmar”, February 2016, p.ii, accessed on 5 March 2016, available at URL: <http://www.asiafoundation.org/publications/pdf/1616>

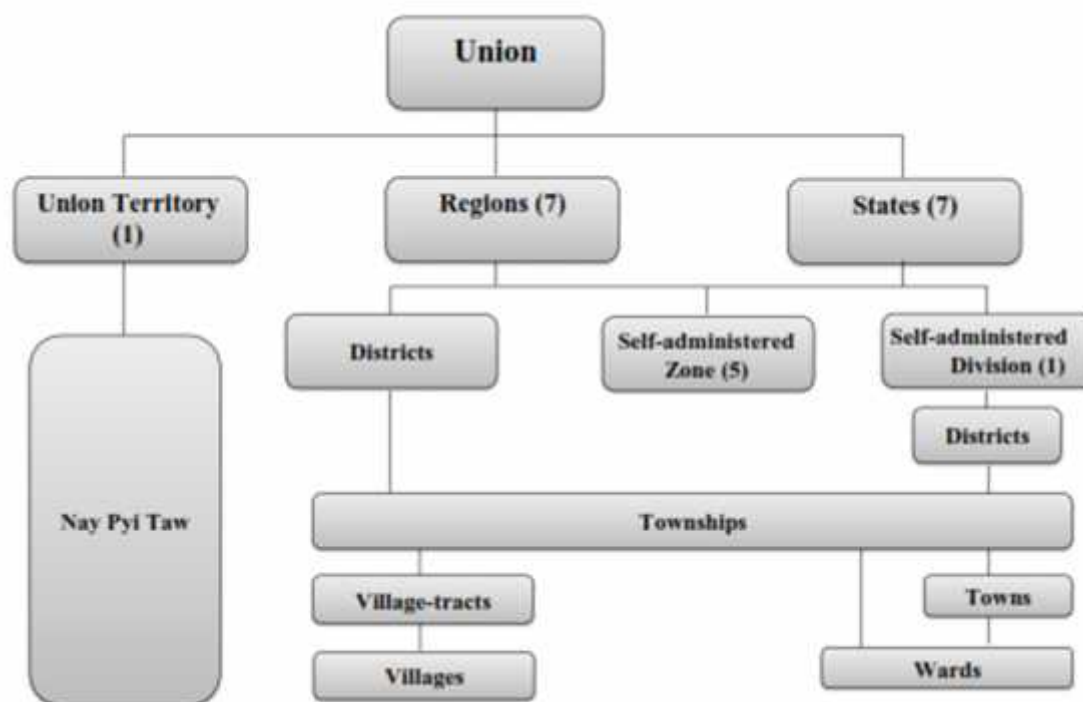
<sup>18</sup> Kyosuke Inada, Asia Foundation “Catalyzing subnational development in Myanmar: Balancing Local Preferences with National and Sector Policy”, August 2014, p.3, access on 3 May 2016, available at URL: <http://asiafoundation.org/resources/pdfs/CatalyzingSubnationalDevelopmentinMyanmar.pdf>

<sup>19</sup>Rick, Bajornas, United Nations, “Government Legal and Regulatory Framework”, accessed on 28 March 2016, p.31, available at URL: <http://www.myanmar-responsiblebusiness.org/pdf/SWIA/Tourism/04-Government-Legal-Regulatory-Framework.pdf>

<sup>20</sup> 2008 Constitution of Myanmar, “Chapter IV, Articles 188”, accessed on 1 April 2016, available at URL: <http://www.burmalibrary.org/show.php?cat=3482&lo=d&sl=0>

<sup>21</sup> 2008 Constitution of Myanmar, “Schedule Two, Articles 1, (c,e,g)”, accessed on 1 April 2016, available at URL: <http://www.burmalibrary.org/show.php?cat=3482&lo=d&sl=0>

**Figure 1: Administrative System in Myanmar**



*Source: Catalyzing subnational development in Myanmar: Balancing Local Preferences with National and Sector Policy, 2014*

Additionally, the government has managed to support community development projects with Local Development Funds (LDFs) which comprise the Poverty Reduction Fund (PRF), the Constituency Development Fund (CDF) and the Rural Development Fund (RDF), which are managed by the General Administration Department (GAD).<sup>22</sup> The Poverty Reduction Fund (PRF) received USD 50 million (50 billion kyats) in the 2014-2015 fiscal year that was allocated from the State and Region Government Budget. Similarly, the Constituency Development Fund (CDF) was allocated USD 33 million (33 billion kyats) for 330 townships with an equal amount from the Union Budget in the 2014-2015 fiscal year. In addition, the Rural Development Fund (RDF) received less at USD 329,500 (329.5 million kyats) from the township fund in the 2012-2013 fiscal year.<sup>23</sup> Compared with the PRF and CDF, the RDF is much smaller.

Indeed, LDFs are necessary for reforming the management and implementation of rural development and decentralization in Myanmar. In order to achieve the development of rural areas, the Department of Rural Development (DRD) is organized under the Ministry of Agriculture, Livestock and Irrigation (MALI). The DRD has implemented the construction of rural roads, bridges, housing and electricity that are necessary to develop the agricultural sector.<sup>24</sup> The DRD has implemented the National Community-Driven Development Project (NCDD project), which is an important project

<sup>22</sup> Bart Robertson, Cindy Joeline and Lauren Dunn, Asia Foundation, "Local Development Funds in Myanmar", October 2015, p ii, access on 26 April 2016, available at URL: <http://asiafoundation.org/resources/pdfs/LocalDevelopmentFundsENG.pdf>

<sup>23</sup> Ibid, p.10,13,16

<sup>24</sup> Ministry of Livestock, Fisheries and Rural Development, accessed on 23 March 2016, available at URL: [http://www.mlfrd.gov.mm/index.php?option=com\\_content&view=article&id=63&Itemid=8&lang=en](http://www.mlfrd.gov.mm/index.php?option=com_content&view=article&id=63&Itemid=8&lang=en).

This department was established as the Department of Development Affairs (DDA) in 1994 under the Ministry of Progress of Border Areas and National Races and Development Affairs, then it was renamed as the Department of Rural Development in June 2012. See: Ministry of Livestock, Fisheries and Rural Development, "Current Situation of Rural Water Supply, Target Plan and Limitations", accessed on 23 March 2016, available at URL: <http://danishwater.dk/wp-content/uploads/2013/09/Ministry-of-Livestock-Fisheries-and-Rural-Development-Department-of-Rural-Development-Current-Situation-of-Rural-Water-Supply-Target-Plan-Limita.pdf>

financed by LDFs.<sup>25</sup> This project gives grants for infrastructure and services such as the construction of roads, bridges, hospitals, schools, health clinics, drinking water and rehabilitation of community livelihoods in rural areas. Over the last 25 years, the NCDD project was first supported by the World Bank with a budget of USD 80 million (80 billion kyats).<sup>26</sup> According to the mid-2015 approved fund, the total amount of funding needed by the NCDD project is approximately USD 544 million (544 billion kyats) and this initiative is supported by the Myanmar Government, the World Bank, the Government of Italy, and the Japanese Social Development Fund (JSDF)<sup>27</sup> with the following amounts:

- Myanmar government: USD 30 million (30 billion kyats)
- World Bank (IDA grant): USD 80 million (80 billion kyats)
- World Bank (IDA loan): USD 400 million (400 billion kyats)
- Government of Italy (loan): USD 22.5 million (22 billion kyats)
- Japanese Social Development Fund (JSDF): USD 11.5 million (11 billion kyats).

In addition, the government spent about USD 90 million (90 billion kyats) in the 2015-2016 fiscal year for another project called the *MyaSeinYaung* rural project that will be allocated to 3,000 villages. This project is managed by the Myanmar Economic Bank (MEB).<sup>28</sup>

**Table1: Type of projects under the Department of Rural Development, DRD (2014-2015) Fiscal Year**

No	Types of projects	Unit	Amount	Costs (MMK in millions)	Costs (USD in millions) <sup>29</sup>
1.	Construction of Roads	Miles	4917	157,695	158
2.	Construction of Bridges	Feet	90,710	41,637	42
3.	Rural Housing	Projects	1,433	4,247	4
4.	Rural Electricity	Households	179,163	40,047	40
Total costs (in MMK)				243,629	244

*Source: Ministry of Agriculture, Livestock and Irrigation (MALI)*

The four projects indicated in Table 1 above (construction of roads, bridges, rural housing and electricity) cost USD 244 million (243,529 million kyat), and the cost of road construction has been largely higher than the cost of projects relating to the construction of bridges, rural housing and the installation of rural electricity. Most of the dry zone regions experience a lack of safe drinking water, so since the 2000-2001 fiscal year, the three central dry regions - *Sagaing, Mandalay and Magway* - have been prioritized by the government for support in terms of drinking water supply. The DRD has committed to provide a rural water supply as a short-term plan (2011-2012 to 2015-2016) and in

<sup>25</sup> Bart Robertson, Cindy Joeline and Lauren Dunn, Asia Foundation, "Local Development Funds in Myanmar", October 2015, p iii, access on 26 April 2016, available at URL: <http://asiafoundation.org/resources/pdfs/LocalDevelopmentFundsENG.pdf>

<sup>26</sup> National Community Driven Development, March 2014, accessed on 24 March 2016, available at URL: [http://www.worldbank.org/content/dam/Worldbank/document/EAP/Myanmar/Myanmar\\_Q\\_A\\_CDD\\_Mar-2014\\_Myanmar.pdf](http://www.worldbank.org/content/dam/Worldbank/document/EAP/Myanmar/Myanmar_Q_A_CDD_Mar-2014_Myanmar.pdf)

<sup>27</sup> Bart Robertson, Cindy Joeline and Lauren Dunn, Asia Foundation, "Local Development Funds in Myanmar", October 2015, p.20, accessed on 26 April 2016, available at URL: <http://asiafoundation.org/resources/pdfs/LocalDevelopmentFundsENG.pdf>

<sup>28</sup> Myitmakha, "30 million kyats of loan will be granted to every village in 2015-2016 fiscal years in Myanmar", accessed on 23 March 2016, available at URL: <http://www.myitmakhamedia.info/30-million-kyats-of-loan-will-be-granted-to-every-village-in-2015-2016-fiscal-years-in-myanmar/>

<sup>29</sup> Dollar values are rounded to the nearest million, values were calculated with data from the Central Bank of Myanmar, accessed on 5 April 2016, available at URL: <http://forex.cbm.gov.mm/index.php/fxrate/history>

a long-term plan (2016-2017 to 2030-2031).<sup>30</sup> To alleviate poverty in Myanmar, in November 2011 the government implemented the national strategy on rural development and poverty alleviation with the following eight priority areas that were managed by the relevant ministries at the time.<sup>31</sup>

- (1) The development of agricultural productivity
- (2) The development of livestock breeding and fisheries
- (3) The development of rural small-scale productivity
- (4) The development of micro savings and credit associations
- (5) The development of cooperative tasks
- (6) The development of rural socio-economy
- (7) The development of rural energy
- (8) Environmental conservation.

Presently, poverty in rural areas is greater than it is in urban areas including in the health, social and educational sectors.<sup>32</sup> Although agriculture is one of the major economic sectors of the country, farmers' incomes have declined.<sup>33</sup> With the population of over 51.4 million people, approximately 26 percent are living beneath the poverty line and more than half are living just above it.<sup>34</sup> As a country with an agriculture-based economy, agriculture products contribute 32 percent to the gross domestic product (GDP), 21 percent to the country's entire export earnings, and 53 percent of the workforce are employed in the agricultural sector (CSO 2012).<sup>35</sup> The major agricultural exports of the country are rice, maize, black gram, green gram, other pulses, sesame seeds, niger seeds, onion, tamarind, oil cakes, raw rubber and sugar.<sup>36</sup> Myanmar was the largest rice producer among the ASEAN countries in 1980. However, since 1990, Vietnam has dominated rice production.<sup>37</sup>

The agricultural sector in Myanmar has been promoted by the government as one of the focus points of rural development since 2011. Due to the 2015 rice sector growth strategy, and rice production and productivity, the growth of the agricultural sector increased by 1.7 percent in 2012-2013, 3.6 percent in 2013-2014 and 5.6 percent in 2014-2015.<sup>38</sup> This is despite the fact that access to banking sector credit is available for only 10 percent of farmworkers and 37 percent of farmers.<sup>39</sup>

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<sup>30</sup> Ministry of Livestock, Fisheries and Rural Development, "Current Situation of Rural Water Supply, Target Plan and Limitations", accessed on 23 March 2016, available at URL: <http://danishwater.dk/wp-content/uploads/2013/09/Ministry-of-Livestock-Fisheries-and-Rural-Development-Department-of-Rural-Development-Current-Situation-of-Rural-Water-Supply-Target-Plan-Limita.pdf>

<sup>31</sup> Daw Win Myint, Deputy Director General, Planning Development, "Policies for growth and development Myanmar", accessed on 1 March 2016, available at URL: <http://yangon.sites.unicnetwork.org/files/2013/05/Policies-for-growth-and-development-in-Myanmar-13-2-2012DWM.pdf>

<sup>32</sup> Nyan Lynn Aung, Rural Poverty Portal, "Rural poverty in the Republic of the Union of Myanmar", accessed on 6 March 2016, available at URL: <http://www.ruralpovertyportal.org/country/home/tags/myanmar>

<sup>33</sup> Ibid.

<sup>34</sup> UNDP, "About Myanmar", accessed on 30 March 2016, available at URL: <http://www.mm.undp.org/content/myanmar/en/home/countryinfo/>

<sup>35</sup> David A. Raitzer, Larry C. Y. Wong, and Jindra Nuella G. Samson, ADB, "Myanmar's Agriculture Sector: Unlocking the Potential for Inclusive Growth", December 2015, accessed on 3 April 2016, available at URL: <http://www.adb.org/publications/myanmar-agriculture-sector-potential-inclusive-growth>

<sup>36</sup> Kyosuke INADA (Mr.), Senior Representative (Deputy Chief of Mission), JICA Myanmar Office, "JICA's support toward Agriculture and Rural Development in Myanmar", accessed on 13 March 2016, available at URL: [https://www.dropbox.com/s/ut0e8rwsuel1zu3/Keynote%20speech%20\\_Kyosuki%20Inada.pdf?dl=0](https://www.dropbox.com/s/ut0e8rwsuel1zu3/Keynote%20speech%20_Kyosuki%20Inada.pdf?dl=0)

<sup>37</sup> Ibid.

<sup>38</sup> Myint, Nikolas, "Growing together : reducing rural poverty in Myanmar ", 1 January 2016, p. 4, accessed on 13 March 2016, available at URL: <http://documents.worldbank.org/curated/en/2016/02/25929584/growing-together-reducing-rural-poverty-myanmar>

<sup>39</sup> Ibid.



It should be noted that Myanmar achieved the first eight Millennium Development Goals of the United Nations Food and Agriculture Organization (UNFAO) on 7 June 2015.<sup>40</sup>

### III. Challenges of Rural Development and Decentralization

In realizing the decentralization process in Myanmar, the government has introduced initiatives to develop the three dimensions of decentralization - political, administrative and fiscal - to regional and state governments in Myanmar.<sup>41</sup> The government has shifted some financial powers to the subnational level through fiscal decentralization. However, the state and regional funds are still centralized and spending power by states and regions is still limited by the central government.<sup>42</sup> Likewise, while LDFs have managed community development projects these still lack community participation as well as formal methods for fund management. Consequently, PRF and RDF funds are needed to establish new regional functions and they are also particularly crucial for rural development. Furthermore, these funds are not securely codified in law and, in particular, there is no guarantee that they will remain unchanged if a new government comes to power.<sup>43</sup>

Despite the fact that the government has implemented strategic plans for rural development in Myanmar, sustainable economic growth is a major challenge for the country and is the main target of local resource investment.<sup>44</sup> Due to insufficient infrastructure, the high cost of production, restrictions on finance, lack of expertise, shortage of labor productivity and lack of innovation in research and development, sustainable economic development within the country is restricted.<sup>45</sup> One of the main challenges in rural development is that the incidence of poverty is higher in rural areas than it is in urban areas - in 2010, 29 percent of the people in rural areas lived in poverty, while the figure was only 15 percent in urban areas (Table 2), and in urban areas poverty declined much more rapidly than it did in rural areas.<sup>46</sup>

**Table 2: Poverty gap between urban and rural areas (2010)**

Area	Food Poverty (lack of healthy food)	Access to Drinking Water	Malnutrition (lack of food, undernourishment)	Poverty Incidence
Urban	2.5%	81.4%	25.4%	15%
Rural	5.6%	65.2%	33.7%	29%

*Source: Policies for Growth and Development of Myanmar (Daw Win Myint, Deputy Director General, Planning Department)*

<sup>40</sup> Tin Htut, Director General, Department of Planning, Ministry of Agriculture and Irrigation, "National Consultative Conference on Findings and Recommendation of NAPA Phase I, Key Note Presentation", p.22

accessed on 12 March 2016, available at URL: <http://www.napamyanmar.org/news/keynotes-august-11-2015/>

<sup>41</sup> Hamish Nixon, Cindy Joeline, Kyi Pyar Chit Saw, Thet Aung Lynn and Matthew Arnold, Asia Foundation, "State and Region Governments in Myanmar", September 2013, p.69, accessed on 26 April 2016, available at URL: <http://asiafoundation.org/publications/pdf/1249>

<sup>42</sup> Ibid, p.v, vii

<sup>43</sup> Bart Robertson, Cindy Joeline and Lauren Dunn, Asia Foundation, "Local Development Funds in Myanmar", October 2015, p 2, accessed on 26 April 2016, available at: URL <http://asiafoundation.org/resources/pdfs/LocalDevelopmentFundsENG.pdf>

<sup>44</sup> Daw Win Myint, Deputy Director General, Planning Development, "Policies for Growth and Development of Myanmar", accessed on 13 March 2016, available at URL: <http://yangon.sites.unicnetwork.org/files/2013/05/Policies-for-growth-and-development-in-Myanmar-13-2-2012DWM.pdf>

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

Table 2 above indicates the poverty gap between urban and rural areas in four sectors: food poverty; access to drinking water; malnutrition; and poverty incidence. The proportion of the population who have access to drinking water in rural areas is less than it is in urban areas at 65.2 percent and 81.4 percent, respectively. However, while malnutrition in rural areas is still higher, the relative gap with urban areas is smaller than it is in respect of food poverty; rural areas only see a third more malnutrition (33.7 percent instead of 25.4 percent) while food poverty is twice as prevalent in rural areas compared with urban areas, at 2.5 percent and 5.6 percent, respectively. Consequently, the poverty gap between urban and rural areas is a particularly challenging aspect of poverty alleviation. Therefore, the decentralization process is vital to increase the Rural Development Fund based on population and poverty rates.<sup>47</sup>

As reported by the Organization for Economic Co-operation and Development (OECD), agricultural farmers access only 2.5 percent of loans and the landless are closed off from all regular fiscal services.<sup>48</sup> Farmers lack access to capital for medium- and long-term allowances in rural areas. For instance, the price of cultivated land for one acre of rice paddy is about USD 120 (120,000 kyats), but the official rate through banks is only about USD 60 (60,000 kyats) per acre.<sup>49</sup> Therefore, farmers look to private moneylenders who charge 10 to 15 percent interest on loans.<sup>50</sup> Among the state-owned banks, the Myanmar Agricultural Development Bank (MADB) is the second largest state-owned bank, and is operated by the Ministry of Agriculture, Livestock and Irrigation (MALI). From 2010 to 2012, it dramatically increased the amount of credit it gave to farmers - from just over USD 20 million (20,392 million kyats) to just over USD 116 million (116, 275 million kyats).<sup>51</sup>

The Foreign Investment Law (No. 21/2012), Farmland Law (No. 11/2012) and the Vacant, Fallow and Virgin Lands Management Law (No. 1/2012) enable local and foreign companies to operate legally in the agricultural sector. However, higher taxes, lack of infrastructure, higher transportation fees and restrictions on land permits cause delays in investing for foreign companies.<sup>52</sup> Currently, farmers face labor shortages in rural areas because of low wages, while labor productivity in Myanmar's agricultural sector is still one of the lowest in Asia.<sup>53</sup> The reason is that many young laborers have left to find work in neighboring countries. In 2012, nearly 25 percent of farm workers shifted to other employment sectors, and half of them had departed by 2013.<sup>54</sup> As a result, farmers began to work with fewer employees in the growing season and it is difficult to get enough labor during the periods of paddy transporting and harvesting.<sup>55</sup>

<sup>47</sup> Hamish Nixon, Cindy Joelene, Kyi Pyar Chit Saw, Thet Aung Lynn and Matthew Arnold, Asia Foundation, "State and Region Governments in Myanmar", September 2013, p.85, accessed on 6 April 2016, available at URL: <http://asiafoundation.org/publications/pdf/1249>

<sup>48</sup> Oxford Business Group, "Agriculture in Myanmar struggles to grow to its potential", accessed on 13 March 2016, available at URL: <http://www.oxfordbusinessgroup.com/news/agriculture-myanmar-struggles-grow-its-potential>

<sup>49</sup> Intelligent Commentary & Analysis on Myanmar Business, "Myanmar Agriculture: Opportunities and Risks", accessed on 30 March 2016, available at URL: <http://www.investinmyanmar.com/myanmar-agriculture/>

<sup>50</sup> Ibid.

<sup>51</sup> Jose De Luna-Martinez and Ratchada Anantavasilpa, World Bank, "Myanmar Agricultural Development Bank; Initial Assessment and Restructuring Options", 2014, p.15, 22, accessed on 4 April 2016, URL: <http://www.bankinformationcenter.org/wp-content/uploads/2014/10/MADB-Report-Final-April-2014.pdf>

<sup>52</sup> Natalia Scurrah, Philip Hirsch and Kevin Woods, "The Political Economy of Land Governance in Myanmar", November 2015, p.15, accessed on 19 March 2016, available at URL: [http://rcsd.soc. cmu.ac.th/mlrf/ sites/default/files/Political\\_Economy\\_of\\_Land\\_Governance\\_in\\_Myanmar.PDF](http://rcsd.soc. cmu.ac.th/mlrf/ sites/default/files/Political_Economy_of_Land_Governance_in_Myanmar.PDF)

<sup>53</sup> Zaw Htike, Myanmar Times, "Farmers ponder future as labour flees", 26 May 2014, accessed on 14 March, 2016, available at URL : <http://www.mmtimes.com/index.php/business/10445-farmers-ponder-future-as-labour-flees.html>

<sup>54</sup> Ibid.

<sup>55</sup> Ibid.

**Figure 2: Myanmar's land and labor productivities are the lowest in the region, 2013**

Land productivity (\$/hectare)

Labor productivity (\$/capita)



Source: KPMG Myanmar's Untapped Opportunity: How agribusiness can transform its economy, KPMG, 2014

According to Figure 2, compared with other countries, Myanmar's land productivity is the lowest in the region at USD 1,713 per hectare. China's labor productivity is more than three times as high as Myanmar's.<sup>56</sup> Most of the states and divisions are primarily upland areas and the farmers there cultivate rice, maize or millet in habitual fallow systems. While population density increases, food security is not sufficient in some uplands and the quality of land is poor in remote mountainous areas. Increasing competition for land, agricultural companies have access to large tracts of farmland and farmers are losing access to grazing land. Because of the loss of grazing land, farming households in uplands cope by moving away from their lands and finding jobs as migrant workers in neighboring countries.<sup>57</sup>

The United Nations Office for Project Services (UNOPS) supported an education program which included a 'Livelihoods and Food Security Fund' for farmers to access good quality seeds and skilled labor in Myanmar.<sup>58</sup> As a result, from 2010 to 2013, over 10,000 acres of rice were being cultivated with techniques introduced by the UNOPS project.<sup>59</sup> Commonly, the village women are involved in farm work in rural areas. However, they are more likely to find a job in factories and in the garment sector in urban areas.<sup>60</sup> Meanwhile, in implementing the NCDD project, there are obstacles for the development of community livelihoods such as: the lack of communications between villagers and facilitators; lack of training and capacity building in respect of project management; restrictions on community objectives by authorities; and lack of trust between the communities, stakeholders, community service organizations and the international non-governmental organizations.<sup>61</sup>

<sup>56</sup> KPMG, "Myanmar Untapped Opportunity: How Agribusiness can transform its economy", 2014, p.5, accessed on 25 March 2016, available at URL: <https://www.kpmg.com/SG/en/IssuesAndInsights/ArticlesPublications/Documents/Advisory-ASEAN-Myanmar-Untapped-Opportunity1.pdf>

<sup>57</sup> Food Security Working Group, "Land Tenure: A foundation for food security in Myanmar's uplands", accessed on 5 April 2016, available at URL: [http://www.burmalibrary.org/docs16/FSWG-Uplands-Land\\_tenure-2010-12-en-tpo.pdf](http://www.burmalibrary.org/docs16/FSWG-Uplands-Land_tenure-2010-12-en-tpo.pdf)

<sup>58</sup> United Nations Office for Project Services, "Increasing Rice Production in Myanmar", accessed on 14 March 2016, available at URL: <https://www.unops.org/english/News/UNOPS-in-action/Pages/Increasing-rice-production-in-Myanmar.aspx>

<sup>59</sup> Ibid.

<sup>60</sup> Ibid.

<sup>61</sup> World Bank, "Myanmar National CDD Project-Additional Financing", accessed on 24 March 2016, available at URL: <http://www.bankinformationcenter.org/wp-content/uploads/2015/07/National-CDD-Additional-Financing-brief.pdf>

## IV Policy Options

In order to go forward with the implementation of poverty alleviation in Myanmar, the government might consider gathering more information about the current situation in rural and border areas that incorporates the wishes and needs of poor people and ethnic minorities. This information could be fed back into the policy-making process.<sup>62</sup> To develop the agricultural sector in rural areas, measuring the impact of strategies developed in recent years would be helpful. There are also experiences that we can learn from neighboring countries.<sup>63</sup>

As a consequence of the pro-poor targeting of state expenditures, Vietnam alleviated rural poverty from 58 percent in 1993 to 17 percent in 2012.<sup>64</sup> Similarly, Indonesia reduced poverty from 24 percent in 1999 to 12 percent in early 2012, and this was followed by national programs for Community Driven Development (CDD). In addition, Thailand and Vietnam reformed some barriers between their borders to liberalize the market and foreign investment. The growth of agriculture in Myanmar has been steadily increasing at a rate from 1.7 percent in 2012-2013, and 3.6 percent in 2013-2014, to 5.6 percent in 2014-2015.<sup>65</sup> In order to further alleviate poverty in rural areas, some of the following options could be considered:

- **Reduce central oversight of the budget and administration.** To achieve the decentralization goals, reducing central oversight of the budget and administration could be considered. Also, it could be advantageous to allocate the budget between states and regions based on population and poverty rates.<sup>66</sup>
- **Increase access to credit.** Due to the strict loan policies, landless farmers are precluded from all official monetary services. Reducing regulations could give them access to credit to develop the agricultural sector. Furthermore, stricter regulations concerning money lenders and the provision of state loans including medium- and long-term allowances could help to increase access to credit in rural areas.<sup>67</sup>
- **Attract Foreign Direct Investment (FDI).** Despite the recently enacted land and related laws that aim to attract foreign investment, there are only very small instances of FDI in the agricultural sector. In order to increase the amount of FDI in this sector, a reduction in taxes, appropriate transportation fees, and the provision of construction land for foreign companies could promote foreign direct investment in agribusiness.<sup>68</sup>
- **Decrease labor shortages and promote labor productivity.** Labor shortages and low labor productivity in agricultural sectors are among the major problems in rural areas. The productivity of employees in Myanmar is the lowest among ASEAN countries, and

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<sup>62</sup> Dr. U Myint, Economist and Presidential Adviser “Reducing Poverty in Myanmar: the Way Forward”, 2011, p.2 of pdf, accessed on 19 March 2016, available at URL: [http://www.burmalibrary.org/docs11/U\\_Myint2011-05-24.pdf](http://www.burmalibrary.org/docs11/U_Myint2011-05-24.pdf)

<sup>63</sup> Ibid.

<sup>64</sup> Myint, Nikolas, “Growing Together: Reducing rural poverty in Myanmar”, p.6-7, accessed on 20 March 2016, available at URL: [http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/2016/02/16/090224b084187759/1\\_0/Rendered/PDF/Growing0togeth0l0poverty0in0Myanmar.pdf](http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/2016/02/16/090224b084187759/1_0/Rendered/PDF/Growing0togeth0l0poverty0in0Myanmar.pdf)

<sup>65</sup> Ibid.

<sup>66</sup> Hamish Nixon, Cindy Joelene, Kyi Pyar Chit Saw, Thet Aung Lynn and Matthew Arnold, Asia Foundation, “State and Region Governments in Myanmar”, September 2013, p.85, accessed on 6 April 2016, available at URL: <http://asiafoundation.org/publications/pdf/1249>

<sup>67</sup> Intelligent Commentary & Analysis on Myanmar Business, “Myanmar Agriculture: Opportunities and Risks”, accessed on 14 March 2016, available at URL: <http://www.investinmyanmar.com/myanmar-agriculture/>

<sup>68</sup> Natalia Scurrah, Philip Hirsch and Kevin Woods, “The Political Economy of Land Governance in Myanmar”, November 2015, p.15, accessed on 19 March 2016, available at URL: [http://rcsd.soc.cmu.ac.th/mlrf/sites/default/files/Political\\_Economy\\_of\\_Land\\_Governance\\_in\\_Myanmar.PDF](http://rcsd.soc.cmu.ac.th/mlrf/sites/default/files/Political_Economy_of_Land_Governance_in_Myanmar.PDF)

it remains a challenge to recruit enough laborers during the growing season. Raising the minimum wage rate for employees, skills training, field visits and creating demonstration farms could lessen the labor shortage and improve labor productivity in rural areas.<sup>69</sup>

- **Implement an inclusive and integrated land use policy in upland areas.** At the present time, there is inadequate access to food in upland areas as a consequence of the degradation of land quality and a lack of employees in agricultural sectors. To meet food needs in these areas, the development of inclusive and integrated land use policies, job opportunities for migrant workers and bottom-up planning could be considered.<sup>70</sup>

## V Conclusion

This briefing note has examined the current situation and the challenges of rural development and decentralization in Myanmar and focuses on the agricultural sector and what should be done to improve it. The key challenges within rural areas are: the poverty gap between urban and rural areas; the lack of communications between villagers and facilitators; lack of training and capacity building in project management; restriction of communities' objectives by authorities; lack of trust between the communities, stakeholders, community service organizations and the international non-governmental organizations; lack of access to capital for farmers' medium- and long-term needs; lack of foreign direct investment; and the labor shortage in rural areas. Furthermore, the state and regional funds are still centralized and the spending power of the states and regions is still limited by the central government. Local development funds (LDFs) have been used in community development projects that still lack community participation as well as formal methods for fund management. Despite the challenges, Myanmar does have some competitive advantages such as political stability, peace and security, a wealth of natural resources, and its geo-economic location between China and India. This will support the economic growth of the country. Furthermore, the governmental institutions, private sector, NGOs and INGOs make efforts to collaborate for the socio-economic benefit of the country. Therefore, it can be anticipated that Myanmar will re-emerge as a significant regional player and a major food supplier of the region in the near future.

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<sup>69</sup>KPMG, "Myanmar's Untapped Opportunity: How Agribusiness can transform its economy", 2014, p.5, accessed on 25 March 2016, available at URL: <https://www.kpmg.com/SG/en/IssuesAndInsights/ArticlesPublications/Documents/Advisory-ASEAN-Myanmar-Untapped-Opportunity1.pdf>

<sup>70</sup> Food Security Working Group, "Land Tenure: A foundation for food security in Myanmar's uplands", accessed on 5 April 2016, available at URL: [http://www.burmalibrary.org/docs16/FSWG-Uplands-Land\\_tenure-2010-12-en-tpo.pdf](http://www.burmalibrary.org/docs16/FSWG-Uplands-Land_tenure-2010-12-en-tpo.pdf)

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