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Myanmar's Report

This is a report from an analyst from the World Bank detailing Myanmar's economic development over the last 60 years, the development gap between Myanmar and OECD countries, and the obstacles for the country to close the development gap. Myanmar is a country in Southeast Asia that is classified in the World Bank as a lower middle income country . Myanmar's history, demography, and geography create a unique set of development challenges and opportunities that includes; a long period of international isolation, poverty despite having rich land and prospects for rapid economic growth with the removal of their military lead government.

Economic Development over the past 60 years

During the 1960s Myanmar was one of Asia's leading economies with an income per capita of around \$670, but economic activity did not pick up strongly during the 1980s and 1990s. Through the alternative methodology of the World Bank (2014), poverty is estimated to have declined from 44.5 percent to 37.5 percent in the span of 5 years and to 25 percent in 2017. In 2017 the poverty line pointed that 19.3% of people live with less than \$3.20 per day. Overall, Myanmar has been able to overcome the challenges they faced with extreme poverty throughout the years. However, it is important to obtain fast economic development in order to not lose the recent progress Myanmar has made in regards to poverty reduction. Also, less than a quarter of the total income in Myanmar can be attributed to the poorest 40 percent of the population. Demonstrating that income is unequally distributed across the welfare distribution and therefore,

inequality is a significant issue. Rising inequality, and ensuring equitable access to public assets and basic services is an important poverty challenge for Myanmar. Although Myanmar has experienced a decline in poverty it has also experienced an increase of inequality. Within Myanmar, inequality is estimated to be much higher in urban areas (0.36) than in rural areas (0.25). The majority of inequality in Myanmar is attributable to inequality within urban and within rural areas. Moreover, Among Myanmar's four agro-ecological zones, inequality is estimated to be highest in the Delta (0.33), in part because the region includes the city of Yangon (0.36) but likely also due to high levels of inequality in access to key assets like agriculture land. The relatively low levels of inequality still seen in Myanmar are a result of the compactness of the expenditure distribution.

Myanmar's population pyramid, calculated from the most recent UNPD figures, provides data on the demographic evolution of the country which reflects in particular on Myanmar's population changes. From the current age structure, it seems that Myanmar's population has experienced a clear demographic transition over the last fifty years. The population number that is last registered for Myanmar is 56,590,071 (2020). Infant mortality rates have decreased from 116 deaths per 1,000 live births in 1970 to 49 in 2013 while at the same time life expectancy has increased from 51 years in 1970 to 65 in 2013. Myanmar's recent shift made toward a more democratic regime has expanded the country. However, due to decades of seclusion that only ended in 2011, much remains unknown about Myanmar. The crucial factor influencing the population of Myanmar is migration. Myanmar borders Bangladesh, India, China, Laos, and Thailand has frequently maintained a fluid border population. Citizens have fled due to civil unrest, poverty, reduced employment, and hunger. However, official national estimates do not

include any international out-migration during or since the turbulent times of military regimes. This situation compromises any attempt to obtain a reliable overall population estimate.

Political and economic ideological struggles have affected living standards. Decades of civil war and unrest have contributed to Myanmar's current levels of poverty and lack of economic progress. Improving basic human, social and economic infrastructure required to advance individual living standards have not received government efforts. Myanmar lacks adequate infrastructure. Goods travel primarily across the Thai border (where most illegal drugs are exported) and along the Irrawaddy River. Railways are old and rudimentary, with few repairs since their construction in the late 19th century. Highways are normally unpaved, except in the major cities. In 2010–11, living standards in Myanmar have significantly improved especially over the last decade. However, even though the average living standard has improved since the 1960s it is true that with the rise of inequality some people have experienced changes in their incomes and therefore their living standards.

Over the last 60 years the leading sector of the economy in Myanmar was Agriculture. The major agricultural produce is rice which covers about 60% of the country's total cultivated land area. Agriculture's contribution to GDP has declined progressively from almost 40% in 2010-11, as the economy slides towards the Industrial and Services sectors. The World Bank expects the economy's dependence on Agriculture to continue to decrease. Leading to an increase in mechanisation and higher investment in FDI, more people are expected to move to the Industrial and Services sectors. Also, Myanma Oil and Gas enterprise is a national oil and gas company of Myanmar that was previously called "Burma". The company is a sole operator of oil and gas exploration and production, as well as domestic gas transmission. Myanmar's reforms today and its strategic location in the fastest growing region in the world, between the two huge

markets of China and India, create important opportunities for economic development, but also some risks. Myanmar enjoys rich land, mineral and water resources. Additionally, the garment industry is a major job creator especially in the Yangon area with approximately 200,000 employed people by mid-2015. Through regulatory reforms is also important to encourage private sector investment and to help businesses grow. Myanmar has taken an important first step by passing a new Foreign Investment Law to attract responsible foreign investors. Increasing access to finance for rural and urban borrowers and for small and medium enterprises can also help create jobs across the country. Ultimately, it is the private sector that will produce jobs for people in Myanmar who have growing expectations that reforms will improve their lives.

Historically Myanmar was strained therefore they had generally maintained warmer relations with neighbouring states. Myanmar is also a member of the Association of Southeast Asian Nations. The United States due to the military crackdown placed broad sanctions on Myanmar. Similarly, the European Union had also placed embargoes on Myanmar, that included an arms embargo, cessation of trade preferences and suspension of all aid with the exception of humanitarian aid. However, Myanmar's foreign relations, especially with Western countries, has improved since 2012. The US Secretary of State, Hillary Clinton, visited Myanmar in November 2011 and met with several officials including the President of Myanmar. After the visit, the US announced a reduction of laws against providing aid to Myanmar and raised the possibility of an exchange of ambassadors. Later on around 2014 the Myanmar Partnership Multi-Donor Trust Fund (MDTF) was established and represents collaborations between the Government of Myanmar and other governments such as; Australian Government Department of Foreign Affairs and Trade; UK government Department for International Development of the United Kingdom; the Kingdom of Denmark the Republik of Finland; and the World Bank Group represented by

the International Finance Corporation and the World Bank. These partnerships implement Myanmar's sustainable development plan. There is no doubt that Myanmar relations with other countries have significantly improved after the shift in government and over the last 60 years but specially since 2012.

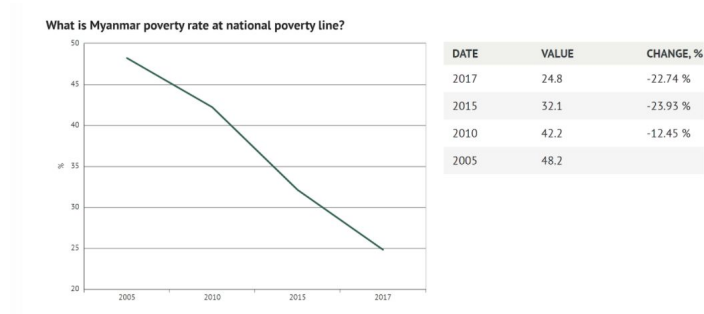
Myanmar is emerging from a long period of isolation, with a devastating impact on its economy. Over the past twenty years, the focus on resource extraction was amplified by economic sanctions that further limited market opportunities. As a result, market institutions and government capacity to regulate them are nascent and trade and investment relations limited, while the country's human capital has been depleted, as the education system, once was the best in Asia. While several other countries such as Vietnam, Cambodia and Laos, have emerged from shorter periods of isolation, Myanmar is one of a handful of countries that has remained largely isolated for almost half a century. Myanmar has changed its economic course from a centrally planned economy into a market oriented system, a series of structural reforms have been introduced. New legal policy instruments have given private sectors including foreign investors and businessmen the right to do business to make investment in the country were enacted. The Government of Union of Myanmar has recognized the private sector as a prime-mover of the market mechanism and pays great attention for its development.

Development Gap

Myanmar's average income is 1,390 USD and the OECD average income is 43,351 USD. This comparison has an enormous gap between the two and the average income of the OECD is almost 40 times more than the average income of Myanmar. The lowest average income in the OECD is Colombia with 14,500USD and Mexico with 18,258 USD. These numbers which are the lowest of the OECD do not come nearly close to Myanmar's average income. The 4 lowest

GDP countries given their population have much higher GDP per capita than Myanmar. The worldwide highest income is earned in Monaco. The smallest budget per capita exists in the Democratic Republic of the Congo. In our comparison over 78 countries, the USA comes 9th with an average income of 65,760 USD. Therefore there is no doubt that there is a huge difference from the average income of Myanmar compared to the average income of OECD countries.

The OECD defines the poverty rate as the ratio of the number of people in a given age group whose income falls before the poverty line, determined as half the total population's median household income. The OECD collects data from its member countries around the world in order to examine what the poverty rate is in each country. South Africa is the country within the OECD with the highest poverty rate of 26.6%. Costa Rica follows at 20.9%, then Romania at 17.9%, and the United States at 17.8%. Myanmar's national poverty line in 2017 was 24.8%. However, a decade earlier the poverty line of Myanmar was around 48.2% and fell gradually from 2005 to 2017 at 24.8%. Therefore, even though South Africa, a member of the OECD has a higher rate of poverty than Myanmar, a decade ago Myanmar would've had a higher rate. Regardless, if Myanmar was part of the OECD it would be the second country with the highest poverty rate.



With the increased spending in health, there is more pressure to ensure that resources help people live healthier lives. The majority of OECD member countries have experienced an increase of public interest in ensuring that patients receive care that is safe, effective and responsive to the individual's needs. The increase on emphasising one's choice has led to a higher interest in healthcare quality and outcomes. Giving patients safe, effective and responsive care to the partitions is now recognized as the objective of the health system in all OECD countries. Therefore the life expectancy average across OECD countries of an individual is almost 81 years. Additionally Infant mortality rates are low in most OECD member countries at less than five deaths per 1,000 live births in all countries with the exception of Mexico. Overall, infant mortalities rates within the OECD and partner countries have fallen since 2000. Furthermore with reductions generally largest in countries with historically the highest rates. Myanmar in the last 40 years has experienced great progress on their overall health index. From 35% of Infant mortality rate (infants below 1 year old) in 1970 to 10% in 2020 that still is twice as much as OECD countries that have 5%. In regards to life expectancy, Myanmar has also experienced a significant improvement in the last years, but is still below the OECD countries average of 81 years. Myanmar currently has a life expectancy average of 66 years.

Myanmar was famed for its educational achievements until the 1960s. Before the military coups, nearly 90 percent of the population was literate. However, due to “coup d'états” in 1962 and 1988 the educational system was heavily affected which resulted in a setback in education. This leads to a high number of illiterate adultes. Therefore, because of the prolonged higher education disruption by the military regime, this system had to be supplemented by privately operated tutoring programs. Regardless, Myanmar literacy rate has increased and decreased since then. In 2000 Myanmar literacy rate was 89.94% a 11.37% increase from 1983. Later on in 2016

Myanmar literacy rate was 75.55% a 14.39% decline from 2000. Today, the basic education system in Myanmar comprises six years of primary school. Three years of lower secondary and two years of upper secondary education. OECD countries have three levels of education: below upper-secondary, upper secondary, and tertiary education. Upper secondary education typically follows completion of lower secondary schooling. Over the past decades, almost all OECD countries have seen significant increases in the educational attainment of their populations. Tertiary education has expanded markedly, and in most OECD countries, an upper secondary qualification has become the most common education level attained by young people. The level of literacy is as high as it was before the 1960s in Myanmar, and the educational attainment is higher than Myanmar's.

Myanmar is already fairly urbanized and will become increasingly urban in the coming decades. Currently, about 33.5% of the country's total population live in urban areas. Moreover, the urban population is growing faster than the country's population as a whole. Urbanization is also widespread; although almost 40% of the urban population live in Myanmar's three major cities, while over 60% live in secondary cities and towns. Managing urban areas is important in meeting the needs of a significant percentage of Myanmar's population and to ensure that urbanization contributes to overall national growth. On the other hand, two-thirds of the OECD population live in urban areas. Among the 1,179 OECD functional urban areas, 77 have more than 1.5 million people, 198 between 500,000 and 1.5 million people, 406 between 200,000 and 500,000 people, and 498 are small functional urban areas with a population below 200,000 and above 50,000 people. Urbanization in OECD has continued to grow in the past decade.

Obstacles to Closing Development Gap

Myanmar has been under a military dictatorship for almost fifty years, which has led to a lack of economic development that has negatively affected the economic prosperity of the country. It was not until 2011 after the 2010 elections that Myanmar underwent a number of political reforms, but Myanmar's political trajectory remains open-ended. The democratic opening has been driven to a great extent by the interest of the military rulers in changing Myanmar's relations with Western states and consequently gaining leverage vis-à-vis China. The political system of Myanmar has been perceived with reference to the country's long history of military statebuilding. The country's informal economy is one of the largest in the world and is upheld by casual elite pacts that were created in the military era. Therefore, Myanmar may for a while stay in a transitional state with an uncertain future.. The essential mission of the military has always been to secure and protect national sovereignty, unity, and stability. However, with the change in government of 2011 came a progression of political changes in support of basic civil rights, electoral democracy and economic growth. Myanmar is a nation in transition, seeking to break with a past marred by authoritarian rule, economic mismanagement, and multiple conflicts that persist today, driven by social exclusion and predatory natural resource extraction. The country's opening, in 2011, and the first democratic elections, in 2015, marked critical turning points for Myanmar, generating a wave of optimism.

The Myanmar Government has proposed comprehensive amendments to the legislative framework for income tax as part of its sustained strategic reform programme to modernise Myanmar and advance economic transformation. The draft new Income Tax Law was released for public consultation at the end of November 2019. However, the introduction of the draft new ITL signals the Myanmar Government's intention to align Myanmar's tax laws with international standards while ensuring that it is not disadvantaged vis-à-vis other countries. The draft

legislation clearly delineates income from employment, business, and investment. It is proposed that assessable income from an employment, business, or investment include amounts derived from illegal acts such as bribes.

Preserving Myanmar's diverse traditions and heritage of the country could be key to building a more unified and peaceful future. However, the legal framework enacted for the safeguarding of heritage has been insufficient and is still largely disregarded in Myanmar. Experts have said that cultural heritage could represent a potential engine for a country's economic development, igniting local economic activities in a number of sectors. When a heritage site is properly restored and promoted, it becomes a development pole for tourism, culture, trade and entertainment activities. This not only helps the economic sector to grow, but also contributes to the development and improvement of the image of a country. Monuments and museums, being the principal attractions for visitors, are an important source of income. Moreover, Myanmar's tourism sector has been on the rise since the country's political opening. By encouraging the use of local resources, artists and workers, financial resources, or the untapped wealth of natural resources, the country would attract not only more visitors but also new investors and businesses. Therefore, preserving Myanmar's past may be the gateway to developing its future.

Corruption in Myanmar is an extremely serious problem, the country faces widespread corruption in all sectors even today. Myanmar was ranked as the world's most corrupt country by several graft monitoring bodies while ruled by military juntas for nearly a half-century. Owing to failures in regulation and enforcement, corruption flourished in every second of government and business. Many foreign business people consider corruption a serious barrier to invest and trade in Myanmar, which harms Myanmar in business deals. Due to the improvements following a

series of reforms introduced by a quasi-civilian government since 2010, its situation against corruption has begun to improve. According to the 2018 Corruption Perception Index by Transparency International, Myanmar stands at 132 out of 180 countries worldwide, compared to 2010 when the group said Myanmar was the world's second most corrupt country after Somalia. However, corruption is obviously still a thriving phenomenon in Myanmar society, especially in government departments. In most cases, higher officials protected lower ones because they received a portion of the bribe.

Myanmar has a long history of armed conflict of ethnic groups along the border with the country's central authorities, with entrenched patterns of political, social, and economic exclusion. There are officially 135 different ethnic groups in Myanmar. Ethnic and religious diversity has been a source of tensions and conflict in the country. The Government has made significant progress in reaching agreements with the various ethnic groups along the border, including through the launch of a decentralization process, and the successful conclusion of ongoing negotiations will be important for sustained development and poverty reduction.

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